

## War Widens As Scuds Hit 2 Cities in North Yemen

23 Are Killed in San'a  
As Southerners Take  
Hostilities to Capital

Compiled by Our Staff From Dispatches

SAN'A, Yemen — Scud missiles fired by southern civil war foes slammed into the northern Yemeni cities of San'a and Ta'izz on Wednesday, San'a radio reported.

A statement by the northern military command said two of the missiles landed in San'a, the capital, killing 23 people and wounding 30. The casualties were the first to be reported in San'a in the war.

The official northern radio gave no casualty figures for Ta'izz, 140 kilometers (85 miles) northwest of the southern stronghold of Aden, but said missiles landed in residential areas. San'a radio vowed that northern forces would take revenge against southern leaders but suggested they would not use missiles against southern civilians.

According to the radio, houses in San'a and Ta'izz were hit by "internationally banned Scud missiles" and "demolished" while residents were asleep. The report was monitored by the BBC.

San'a is the stronghold of President Ali Abdullah Saleh, who is locked in a week-old war with Vice President Ali Salem Baid.

On Wednesday, General Saleh told his southern foes to leave the country or be killed. "I am ready to give instructions to the Defense Ministry to stop attacks against the rebels so they can leave Aden port to Djibouti or anywhere else," General Saleh said. "If they do not do this now they will pay a high price and will lose their lives."

The president's remarks, quoted on San'a television, came during a meeting with police officers in the capital hours after southern forces fired the Scuds.

General Saleh called the attack a "cowardly, treacherous action, which will not go unpunished."

San'a radio said, "The gang of the vile killers will never escape the people's retribution."

The north has accused Mr. Baid of leading a secessionist struggle to split the country, which was created by a merger of the conservative north and the Marxist south in 1990.

Mr. Baid's supporters oppose what they see as General Saleh's despotic style and accuse him of wanting to run Yemen as an autocrat.

In Cairo, the Yemeni foreign minister, Mohammed Salim Basindwah, said after meeting President Hosni Mubarak that northern forces had the upper hand in the fighting and that the war would be over within 24 hours.

He called on members of the southern Yemen Socialist Party, whom he blamed for the conflict, to give themselves up, promising they would have a "fair trial."

He said the north would accept a cease-fire if the southerners agreed to recognize the government of General Saleh, respect the country's unity and put all the armed forces under the government's control.

The armies of the two countries never merged after the 1990 union.

Witnesses to the missile attack in San'a said they heard a deafening sound and then saw a dust column rising into the sky. Terrified mothers and children ran screaming in search of shelter after the missiles landed.

Scud missile attacks last week caused little damage. It was the first time the inaccurate, surface-to-surface missiles had been fired in the Middle East since the 1990-91 Gulf crisis when Iraq attacked Israel and Saudi Arabia during its occupation of Kuwait.

The London-based International Institute for Strategic Studies estimates that the south had six Soviet-made Scud launchers at the time of the merger in May 1990, each armed with one missile or possibly two, with a range of 300 kilometers.

Fighting was reported by the south to be raging along the old border between the two former halves of the nation.

The south's Aden radio reported fighting at three locations along the border: in Dhale, about 100 kilometers north of Aden; in Kurush, farther east, and at a point close to Bab al Mandab strait, where the old borders meet at the southern entrance of the Red Sea.

A military statement read over Aden radio said southern forces were still fighting northern troops deep inside the south near the city of Zinjibar, 60 kilometers east of Aden.

Previous statements by Aden claimed that General Saleh's elite Amman brigade had been routed at Zinjibar. The brigade was stationed there before the full-scale fighting erupted on May 4 as part of a failed bid to unify the northern and southern armies.

(Reuters, AFP)



A Palestinian policeman kissing his AK-47 assault rifle on Wednesday as he and other Palestinians arrived at the Deir el Balah base in the Gaza Strip. One of the first tasks of the new police force will be to try to disarm thousands of Palestinian civilians.

## Palestinian Police Begin Work in Gaza

By David Hoffman  
Washington Post Service

JERUSALEM — A Palestinian police force began taking over abandoned bases from the Israeli military government in the Gaza Strip early Wednesday and announced that its first major task would be to disarm thousands of Palestinian civilians.

Although it is not known precisely how many guns are held in Gaza, Palestinians said there might be several thousand and perhaps more in the hands of civilians as well as among the guerrillas and fugitives who have used them in the revolt against the Israeli occupation.

"The main purpose of having the guns was

for resisting the Israeli occupation, but now we are getting into a new era of reconstructing our national authority," said the commander of the newly arrived police force, Major General Nasr Youssef. He did not say how the police intended to confiscate the weapons, which have often been kept hidden.

He spoke at a news conference at the police headquarters in Gaza City, while at the town of Deir el Balah, Palestinians thronged into the barracks of the first contingent of policemen to cross the border from Egypt. They pulled into the compound just before dawn on Wednesday after an emotional parade from the border.

With their American-donated camouflage

vehicles parked outside, the policemen, dressed in army fatigues and bearing assault rifles, were washed in greetings from residents, who refused to leave the premises. They showered the policemen with traditional Arab greetings, flowers, candy and an all-night celebration, defying the night curfew that has been imposed on Gaza since the Palestinian revolt began.

The police took over a white building that used to be surrounded by Israeli soldiers and had served as headquarters for the Israeli military government, which was a hated symbol of the occupation to many Palestinians.

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### Kiosk

## Territory of Bosnian Federation Fixed

Dow Jones	Trif Index
Down 27.37	Up 0.29%
3629.04	110.50

The Dollar	Wed. close	previous close
DM	1.5683	1.5725
Pound	1.4945	1.4887
Yen	104.25	104.415
FF	5.721	5.7305

### General News

Boris Yeltsin began a visit to Germany, pushing for better treatment of Russia. Page 2.

### Health/Science

Infectious diseases are making a major comeback around the world. Page 10.

### Book Review

Crossword

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VIENNA (AFP) — Croatian and Muslim negotiators fixed the extent of their future joint federation on Wednesday, claiming 58 percent of the territory of Bosnia-Herzegovina, Prime Minister Haris Silajdzic of Bosnia said.

The new federation will be made up of eight cantons, two of them with a Croatian majority, four with a Muslim majority and two composed more or less equally of members of both communities. Of those with an equal mix of Muslims and Croats, one will be in central Bosnia, with the other situated along the River Neretva in the south.

The special U.S. envoy, Charles Redman, said the outcome of the talks was slightly different from what had been expected after five days of meetings at the U.S. Embassy in Vienna, but added: "I think the result is a good one. It is a different, but a better solution than we thought we would get."

Muslims step up attacks on Serbs. Page 2.



FORBIDDEN FRUIT — A Moscow woman gazing at a display of expensive produce on Wednesday. In Brussels, the European Union reached a broad trade agreement that will give much Russia wider access to the markets of Western Europe. Page 11.

## Mandela Names Wife and Inkatha Leader to Cabinet

By Paul Taylor  
Washington Post Service

PRETORIA — On his first full day in office, President Nelson Mandela put the finishing touches on his cabinet, adding his estranged wife as well as the Inkatha Freedom Party leader, Mangosuthu Buthelezi.

Chief Buthelezi, a longtime adversary of Mr. Mandela's, was named Minister of Home Affairs, a portfolio that administers citizenship documents, alien control and elections.

Winnie Mandela, a political wild card who has been separated from her husband since 1992, was named deputy minister of arts, culture, science and technology. She is the head of the African National Congress's Women's League.

Both appointments reflect the depths of Mr. Mandela's

commitment to inclusiveness in South Africa's new coalition cabinet. They also reveal a disposition toward the old adage that says it is safer to have one's potential enemies in the inside than on the outside.

Chief Buthelezi, too, has shown a commitment to working from within rather than opposing from without. Though Inkatha had been assured of 3 of the 27 cabinet posts by virtue of its 10.3 percent showing in the national elections last month, Chief Buthelezi had kept everyone guessing until Wednesday about his intentions toward a cabinet slot.

In an interview in December, the chief dismissed the notion that he would ever enter a coalition government led by the African National Congress, observing that "Mandela hates me."

The two have known each other for more than 40 years, and their relationship has always been difficult and competitive. It became especially poisonous in the last decade, as their supporters engaged in bitter fighting that claimed the bulk of the 20,000 lives lost in political violence.

But Mr. Mandela worked hard to urge Chief Buthelezi to come into the election campaign — a step Inkatha finally took just a week before the voting — and wooed him again to come into the cabinet. On Wednesday, the two whispered charmingly into each other's ears as cameras clicked for the official portrait of the new cabinet.

With Chief Buthelezi in an ANC-led cabinet at the national level, and with Inkatha in the lead position in a coalition

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## Sexual Harassment and Academia: A Chilling Mix?

By Dirk Johnson  
New York Times Service

CHICAGO — As the religion professor delivers a lecture to his students at the Chicago Theological Seminary, a school official sits nearby with a tape recorder, a kind of word cop, in case the professor says anything sexually offensive.

The professor, Graydon Snyder, 63, is being monitored after a sexual harassment ruling in a case that many scholars say illustrates the Or-

wellian consequences of stringent codes intended to enforce political and moral rectitude on campuses.

In a discussion of the role of intent in sin, Professor Snyder recited a story from the Talmud, the writings that make up Jewish civil and religious law, about a man who falls off a roof, lands on a woman and accidentally has intercourse with her. The Talmud says he is innocent of sin, since the act was unintentional.

A woman in the class was offended, not by the sexual theme but because she believed the story justified brutality toward women. She filed a complaint against Mr. Snyder, an ordained minister who has used the Talmudic lesson in the classroom for more than 30 years.

The university issued a formal reprimand and notified every student and teacher at the school, telling them that Mr. Snyder had "engaged in verbal conduct of a sexual nature" that had the effect of "creating an intimidating, hostile or offensive" environment.

The professor, contending that his reputation has been unjustly tarnished, has filed suit in

Cook County court against the seminary for defamation of character.

"It's humiliating," he said. "People hear about sexual harassment, and they suppose I went around pinching students."

Some scholars say the specter of sexual harassment charges is having a chilling effect on

PC and the president: Sexual harassment case will pose fiendish scenarios. Page 3.

intellectual discourse in America's colleges and universities as professors and instructors avoid legitimate but touchy subjects.

Universities have seen a sharp increase in the number sexual harassment charges that focus on the content of classroom lectures or reading material, according to Ann Franke, a spokeswoman for the American Association of University Professors.

Legal experts say the Snyder case could force the U.S. Supreme Court to decide whether sexual harassment codes violate the First Amendment rights of free speech. Federal

courts in Michigan and Wisconsin have struck down codes at colleges in those states that forbade "hate speech."

"Sexual issues are becoming more difficult to discuss in the classroom," Ms. Franke said. "I hope we're not entering a new Victorian era where certain topics cannot be discussed."

This is not to say that concerns about the problems of sexual harassment on campus are not legitimate," she said. "But the serious, sober classroom discussion of sex does not, in and of itself, create a hostile environment."

Mr. Snyder said the woman in his class told him that the story from the Talmud, and his selection of it, conveyed the message that it was permissible to harm women as long as it was unwitting.

"She said, 'Men have abused me all my life, and then I learned that they just weren't aware of it,'" Mr. Snyder said. (The seminary has not identified the woman.)

The Chicago Theological Seminary trains ministers for the United Church of Christ, one

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## German Interest Rates Slashed to 5-Year Low

But Surprise by Bundesbank Fails  
To Ignite Still-Skeptical Markets

By Brandon Mitchener  
International Herald Tribune

FRANKFURT — The Bundesbank cut German interest rates Wednesday to their lowest levels in five years, in a move that had monetary ripple effects across Europe even as the Federal Reserve was believed to be considering raising U.S. interest rates again.

After months of talk about slow, cautious easing, the powerful German central bank surprised markets by slashing its cheapest rate on loans to banks, the discount rate, to 4.5 percent from 5.0 percent, and lowering its most expensive rate, the Lombard, to 6.0 percent from 6.5 percent.

The central banks of Austria and Italy followed the Bundesbank's move, while rate cuts in Denmark and France had preceded it.

The German finance minister, Theo Waigel, and the U.S. Treasury secretary, Lloyd Bentsen, said that the monetary action would strengthen the economic recovery in Germany, where interest rates have not been so low since July 1989, before German reunification.

The Bundesbank, in a published statement, said that its move "underlines the fact that the outlook for stability in Germany has improved." But it took aim at investors who have parked funds in high-return, short-term deposits that have spurred a worrisome expansion of the M-3 money supply, the bank's major barometer of inflation.

"With this step, we should have reached a configuration that favors a gradual dissipation of the liquidity backlog and stronger monetary capital formation," the Bundesbank said.

The twin rate cuts, which exceeded most market expectations of cuts of a quarter point and followed the last leading rate cuts on April 15 by less than a month, also took advantage of the strength of the Deutsche mark. The cuts supported the dollar, which briefly jumped a penny on the news.

The dollar is expected to find further support if the Federal Reserve raises U.S. interest rates again, an event that many economists believe could be imminent. (Page 11)

Although lower interest rates in Europe are widely regarded as grease for the wheels of its national economies, European markets seem to have largely shrugged off the cuts amid a growing feeling that Bundesbank action would now be less frequent.

"The Bundesbank's statement reads as if that

was it," said Joachim Fels, an economist at Goldman Sachs International in Frankfurt.

"The speed will slow down considerably the second half of the year," Stefan Schneider, an economist at Nomura Research Institute in Frankfurt, told Reuters.

Some economists argued that the Bundesbank would now wait a few months to see whether its move has the desired effect of damping growth in the closely watched M-3 money supply before lowering the discount rate again.

But Mr. Fels said that lending by banks rather than interest rate distortions was a main factor driving M-3 growth, and he questioned the central bank's stated justification of cutting its leading rates on Wednesday.

"We don't think investors want to come themselves to long-term investments because developments in the capital markets," he said. "They've seen that interest rates on the bond end are volatile. They're unwilling to buy long-term bonds now because they expect the rate might rise further. Instead, they opt for short-end bonds, stocks, or real estate."

"I think they'll now watch to see if investment assets out of short-term deposits," he said. But he cautioned that "we have our doubts."

Analysts at Salomon Brothers International were also skeptical. "A failure of M-3 to decelerate sufficiently during this year — still a notable risk — could raise bond market fears eventually higher inflation and prompt Bundesbank to bring the rate cuts to a halt sooner than expected," they wrote in a market comment.

The M-3 money supply rose 15.4 percent in March, well above the Bundesbank's target money supply growth between 4 percent and 5 percent for the full year, a range that economists are increasingly dismissing as unrealistic.

The target range is scheduled for a reassessment in July.

Analysts said the Bundesbank's sharp cut probably reflected both the weakness of the dollar and a recent surge in German export orders. Together the two factors have "reduced fears that the Deutsche mark might depress sharply and boost imported inflation," according to Salomon Brothers.

"The main reasons were to let the economy and to shock investors out of liquid assets, the dollar's weakness made the decision easier," said Mr. Fels.

## Paris Spurs EU On Orly Rights; BA Vows Flight

The Associated Press

PARIS — France overrode a European Union order and told British airlines Wednesday to abandon their bid to serve Orly airport, setting the stage for a showdown next week.

In the latest clash within the Union of efforts to lower trade barriers and spur competition, British Airways stood firm and vowed to fly to the airport, south of Paris, beginning Monday.

The French transport minister, Bernard Bosson, said the planned flights between London and Orly by British Airways, its French subsidiary TAT, and Air U.K. would be illegal.

With state-owned Air France losing 8 billion francs (\$1.4 billion) last year, France is refusing to open up London-Orly routes.

France has said it will not enforce the opening of the outcome of an appeal to the European Court of Justice.

The British-owned carriers are trying to bring to a conclusion a conflict with the French government to open landing slots at Orly more competition.

Mr. Bosson has said that he favors no competition on the Paris-Orly route, but French carriers are opposed until London business airport, Heathrow, grants more slots to them.

In October, Mr. Bosson announced the gradual opening of Orly to London in April 1995, but French officials said three obstacles remain. They contend that Orly's gates are ready overtaxed, that Heathrow needs to open more gates to French airlines and that France needs time to adjust its transport policy.

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## Warily, West Eyes Neofascists

Berlusconi Rejects Concern as 'Disinformation'

By Alan Cowell  
New York Times Service

ROME — Smiling in victory, Silvio Berlusconi was sworn in Wednesday as Italy's prime minister, heading a government that inspired adversaries, at least, to question where it would lead the nation after more than two years of corruption scandal.

Flanked by ministers including five members of his neofascist National Alliance coalition partner, Mr. Berlusconi, 57, took the oath of office, pledging to "be faithful to the republic, loyalty to observe its constitution and laws and to exercise my functions in the exclusive interest of the nation."

From its very beginnings, the three-party coalition government seems certain to face demands from inside the country that it live up to its campaign promises of a clear break with the past and an economic revival to give jobs to one million Italians.

"We are not expecting miracles," said commentator, Giulio Savelli. "But we expect, right from the first cabinet meeting, concrete measures to show we have taken a new path."

Beyond its frontiers, moreover, the new administration will face an equally searching question from its Western allies: Does the presence of neofascists in its ranks for the first time since World War II denote worrisome and potentially contagious resurgence of the past?

[Mr. Berlusconi on Wednesday rejected international concern over the presence of neofascists in his government as the product of "bad faith and disinformation." Reuters reported from Rome.]

In his first interview as prime minister, he told state television that none of his ministers had anything to do with Fascism. "Italians can be absolutely sure that what

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Newsstand Prices

Bahrain	0.800 Din	Malta	35 c.
Cyprus	0.800 Din	Nigeria	50.00 Naira
Denmark	14.00 D.Kr.	Norway	15 N.Kr.
Finland	11 F.M.	Oman	1,000 Rials
Gibraltar	0.800 Din	Qatar	8.00 Rials
Great Britain	0.800 Din	Rep. Ireland	£1.00
Greece	0.800 Din	Saudi Arabia	9.00 R.
India	0.800 Din	South Africa	8.50 Dirh.
Jordan	1 J.D.	U.A.E.	£1.00
Kuwait	0.800 Din	U.S. Mil.	£1.00
		Zimbabwe	320.00



## Muslims Step Up Attacks on Serb Areas

By Henry Karon  
New York Times Service

**KRIVA PALANKA, Macedonia** — About 20 kilometers northwest of this village in the mountainous Balkan corner where Macedonia, Serbia and Bulgaria meet, a little bit of America has sprung up, a heavily motorized and heavily armed.

The soldiers of what is, as far as their officers know, the first American ground combat unit ever to serve in the Balkans have brought with them comforts that are most uncommon in the mountain villages of one of Europe's most backward regions.

They have installed flush toilets and running hot water. Their refrigerators are stocked with fresh and frozen meats and poultry and other staples of the American table.

When not out on foot or motorized patrols, they make do for recreation with movies, television, a VCR, a library. They lift weights and ride an exercise bicycle. A large meadow serves as a football field.

The American contingent is the largest unit in a United Nations monitor force that has taken up positions at observation posts along Macedonia's borders with Serbia and Albania since last year. (As of mid-May, the American contingent stood at 510 soldiers.)

The UN force serves as a largely symbolic deterrent against possible spreading of the conflicts in Bosnia and Croatia. Norway, Finland and Sweden supply the bulk of the remaining force.

"We are here to show the UN presence, observe, monitor and report along the border between the former Yugoslav Republic of Macedonia and Serbia in order to contribute to the stability of the former Yugoslav Republic of Macedonia," said Private First Class Fong Xiong of the 3d Infantry Division of the U.S. Army.

Private Xiong was reading a well-memorized brief and using the official name for the country that is his host. But the American monitors still share some of the outside world's perplexity at the region's convoluted history.

Asked what he knew about Macedonia when he learned he was to be assigned here, Sergeant First Class John A. Mousaw replied: "Let me make it real brief — zip. When they said Macedonia, I didn't know where it was."

## U.S. Troops in Macedonia: Natives Are Friendly

What the troops have learned goes beyond the UN's impartial brief. In the soldiers' minds, Serbia is identified as the enemy, and their mission is seen as helping to protect Macedonia against Serbian attack.

"They just want to keep this land and not be occupied as they were for the last hundreds of years," Sergeant Mousaw said.

From 1944 until it declared its sovereignty in 1991, Macedonia was a republic of Yugoslavia, with nominally the same status as Serbia. As the poorest of the six republics, Macedonia benefited from ample economic aid from the federal government.

Perhaps that is why its citizens seem not to rejoice at independence or the end of communism. There are still pictures in public places of Tito, the founder of Communist Yugoslavia.

The resentments voiced by Macedonians are not directed at the former Yugoslavia or Serbia but at neighboring Greece, which opposes the country's claim to the name "Macedonia" and has imposed an economic embargo, and against their

many fellow citizens who are ethnic Albanians.

So far, the monitors have found nothing significant to report, said Elizabeth Baldwin, spokeswoman at the headquarters of the UN Protection Force in Skopje, the Macedonian capital.

They have been involved only in minor, nonviolent incidents, quickly settled, with Serbian soldiers patrolling their side of the border.

The 17 men posted at Observation Post U 56 said they preferred field duty to the chores at headquarters at the Skopje airport. "They are real friendly people," said Sergeant Mousaw, who commands at U 56.

"We run into locals a lot on patrols," said Staff Sergeant Joseph E. Johnson. "They offer you coffee and ask you into their houses. Every time you turn around you get your pockets full of walnuts. You can't say no."

The sergeant said soldiers were also presented with bottles of the potent local home brew, which they are not allowed to drink. "When they're gone, we just pour it out," he insisted.



Helmut Kohl, right, embracing Boris N. Yeltsin in Bonn on Wednesday at the start of a state visit.

## A Yeltsin-Kohl Hug, Then Talk

By Craig R. Whitney  
New York Times Service

**BONN** — President Boris N. Yeltsin began a three-day state visit to Germany on Wednesday, pushing hard on several fronts with his friend, Chancellor Helmut Kohl, for more respectful and dignified treatment of Russia.

"Dear Boris" and "my friend Helmut" hugged each other warmly in bright spring sunshine, but there was tough diplomatic bargaining nonetheless.

Mr. Yeltsin offered Russian support for a permanent seat for Germany in the United Nations Security Council, "if it is expanded."

In response, Chancellor Kohl gave German support for the full inclusion of Russia in the group of the world's most powerful industrial democracies after the economic summit this summer in Naples.

Mr. Kohl, who insisted in 1985 that President Ronald Reagan visit a German military cemetery that included the graves of a few Waffen-SS soldiers, diplomatically gave way to Mr. Yeltsin's objections to

a ceremony for departing Russian troops this summer in the eastern German city of Weimar.

The Russians felt that this would invite comparisons between the 49-year occupation of eastern Germany and the cruelty of the nearby Nazi concentration camp in Buchenwald.

At a news conference, Mr. Yeltsin did not bring up previous suggestions that Russian troops should be included in military parades for the British, French and American soldiers who defended West Berlin in the midst of communist territory until unification in 1990.

Nor did Mr. Kohl yield Wednesday to his guest's insistence on special treatment as a condition of joining the "Partnership for Peace" offered by North Atlantic Treaty Organization leaders at their summit meeting in Brussels last January.

Poland, the Czech Republic, Hungary and some other former communist countries accepted the partnership reluctantly as a possible first step toward full membership in NATO for themselves, something Russia objects to strongly as a threat to its security.

## UN Chief in Bosnia Curbs Press Access

Officials Must Clear Briefings

By John Pomfret  
Washington Post Service

**SARAJEVO** — The senior United Nations official in Bosnia has taken steps to restrict contact between the press and the UN operation here following an article in The Washington Post in which two senior UN civilian and military officials criticized U.S. policy.

In an interoffice memorandum addressed to all senior military and civilian staff, Yasushi Akashi, special representative of Secretary-General Boutros Boutros Ghali, banned the men and women serving under him from giving briefings to reporters unless they were "discussed and cleared with my spokesman in Zagreb."

Mr. Akashi also said he was disturbed at the "unexpected degree of naivete" on the part of "a number of senior officials," and effectively prohibited them from further criticism of any UN member state because such "unacceptable" evaluations could be "immensely damaging to our mission."

The memorandum, dated May 4, made references to two previous instances in which Mr. Akashi has sought to limit press access, an internal statement on press guidelines issued Feb. 2 and a subsequent note "regarding the unauthorized release of information" dated April 8.

Press reports here are generally seen by the UN operation as revealing a pro-Muslim bias, while many reporters believe UN officials are unnecessarily tough on the Muslim side.

The latest illustration of bad relations concerns a deal negotiated by Mr. Akashi in the Bosnian Serb stronghold of Pale last week. Under terms of the bargain, the UN let Serbian forces move tanks through a zone around Sarajevo where the North Atlantic Treaty

Organization had banned such heavy weapons. In exchange, the Serbs agreed to release a company of British soldiers who had been headed for the Muslim town of Gorazde before Serbian forces blocked their way.

While Mr. Akashi denied any linkage between the two incidents, UN officials in Sarajevo contradicted him.

The latest missive was prompted, the memo said, by an article in The Post on April 30 in which two senior civilian and military officials of the UN operation said the United States was partly to blame for the continuation of the war in Bosnia because it had given the mostly Muslim Bosnian government the false impression that America's military support was on the way.

One of the officials went on to say that the UN's goal in Bosnia had essentially become the attainment of peace at any cost.

The article angered the U.S. delegate to the United Nations, Madeleine K. Albright, and Mr. Boutros Ghali said he would open an investigation to discover the source of the criticism.

In Mr. Akashi's memo, he said the article "is only the most flagrant case in a series of incidents in which senior officials have spoken in a careless, undisciplined and unprofessional manner to journalists."

"This behavior is completely unacceptable and must cease immediately," Mr. Akashi added that such comments "undermine our ability to achieve the goals of the mission," although he did not elaborate on what those goals were. The UN operation in Bosnia "has to speak with one voice if it is to carry the authority that it should within and without the mission area," he said.

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## WORLD BRIEFS

### Haiti Swears In Provisional President

**PORT-AU-PRINCE, Haiti (AP)** — Defying the international community, a group of lawmakers backed by the army swore in a Supreme Court justice as Haiti's provisional president on Wednesday in an attempt to complete the military's removal of the Reverend Jean-Bertrand Aristide.

The move lacks the support of most Haitian lawmakers and the international community, which want Father Aristide restored to power. The White House denounced it as "cynical, unconstitutional and illegal."

Thirteen Haitian senators and 30 deputies supported the appointment of Justice Emil Jonassaint, 80, to supplant Father Aristide, the country's first democratically elected president. Mr. Jonassaint was sworn in at the Legislative Palace with the army commander, General Raoul Cédras, looking on.

### González Hints at Vote of Confidence

**MADRID (AFP)** — Prime Minister Felipe González rejected calls to step down on Wednesday amid an investigation of former cabinet members for corruption, but said he might call a vote of confidence "when the time comes."

Mr. González told Parliament that he would stay in power to clear up allegations of widespread corruption so that justice could be done.

He declined to rule out a vote of confidence to assess parliamentary support for his Socialist Party, which has come under attack after the disappearance of the former chief of the Civil Guard, Luis Roldán, wanted for embezzlement; the resignation of Agriculture Minister Vicente Albiero, suspected of tax fraud, and the detention of former chief of the Bank of Spain, Mariano Rubio, on charges of embezzling public funds.

### Bonn Plans Law on Holocaust Denial

**BONN (Reuters)** — Chancellor Helmut Kohl's government plans to make a crime of the far-right denials that the Holocaust murders of Jews took place, German television reported Wednesday.

ZDF television said the Justice Ministry had drafted a law against the "Auschwitz lie" after existing rules were called into question. In March, Germany's highest appeals court, the Federal Court of Justice, overturned the conviction of a neo-Nazi leader by arguing that denying that the Holocaust happened did not alone constitute incitement of racial hatred. The court had used the charge of inciting race hatred to prosecute neo-Nazis by arguing that denying the Holocaust was an attack on all Jews. ZDF said the draft law would specify that denying the existence of the Holocaust, in which over 6 million Jews were murdered, as a crime in itself.

### Texas Tied to Duchess of York Is Held

**LONDON (AP)** — John Bryan, the man once photographed smooching with the Duchess of York, was arrested Wednesday in connection with allegations that he failed to pay car parking fees, the police said.

Detectives were interviewing Mr. Bryan, 39, a Texas financier, at Heathrow Airport "for false accounting and deception," a police spokesman said.

The police said last week they wanted to speak to him about alleged evasion of car parking fees. Mr. Bryan was reportedly challenged about his ticket as he drove out of a parking lot at the airport after returning from a trip to the United States.

Mr. Bryan was described as the Duchess of York's financial adviser after her separation from Prince Andrew in March 1992. Months later, newspapers published photos of the duchess sunbathing topless with Mr. Bryan during a vacation in southern France.

### Correction

An article on the U.S. dollar on Page 1 of Wednesday's editions failed to credit Bloomberg Business News for substantial reporting contributions from the United States and Europe.

## TRAVEL UPDATE

### Munch's 'Scream' Again on Display

**OSLO (Reuters)** — Edvard Munch's masterpiece "The Scream" went on public display in Oslo's National Gallery again Wednesday, three months after it had been stolen — but this time, far away from the windows.

"I feel that a weight has been lifted from my shoulders," said the gallery's director, Knut Berg, as he showed the painting to the media. He said security at the gallery had been improved. The 1893 painting of an embryonic figure, wide-mouthed in terror standing on a bridge beneath a blood-red sky, was recovered virtually undamaged in an international "sting" operation over the weekend.

A two-hour strike by pilots and other flight personnel at the Polish airline LOT delayed the carrier's flights from Warsaw's international Okęcie airport on Wednesday.

Air liner personnel have announced they will strike the French domestic carrier on Tuesday to protest what they believe are restrictive management practices that are damaging the airline's future.

The French shipping company Société Nationale Corse-Méditerranée indefinitely suspended passenger services on Wednesday to North Africa, Corsica and Italy because of a strike.

The Galata bridge in Istanbul has been restored at a cost of more than \$4.6 million after being destroyed by fire in 1992. The original two-story bridge over the Golden Horn, an inlet of the Bosphorus Strait, dated from 1912.

## Ulster Peace Proposal Altering, Officials Fear

By James F. Clarity  
New York Times Service

**BELFAST** — British and Irish officials say they fear that the peace proposal put forward by their governments in December is losing impetus.

This loss of impetus dims widespread hopes that the proposal had set for an end to the 25-year strife that has killed more than 3,100 people in this British province.

After a relative lull in killing that more than four months, the risk of political progress between governments, the Irish Republican Army and the IRA's political wing, Sinn Féin, has led to a new age in violence.

The killing involves the IRA, which wants Northern Ireland to become part of a united Ireland. Protestant paramilitary groups want the province to remain British.

Since a three-day IRA cease-fire led a month ago without proving political progress, 14 people have been killed, 8 by republican units, 6 by Protestants.

"It seems to be spinning away," a senior Irish official in Dublin said, expressing an attitude now pervading the Irish Foreign Ministry and the offices of Prime Minister Albert Reynolds.

British officials in Belfast shake their heads and say they hope that the peace plan, offered Dec. 15 in London by Mr. Reynolds and Prime Minister John Major, is still alive.

But the only positive recent remark by a British official in Belfast was made by Sir Hugh Annesley, head of the Royal Ulster Constabulary, who said, "I believe we are entering the final stages and all terrorist violence will have ended in three years."

But neither Sir Patrick Mayhew, the British secretary for Northern Ireland, nor Gerry Adams, the head of Sinn Féin, have been sounding positive in recent days. Mr. Adams left Belfast on Monday for the Basque region of Spain, where he is to meet with political officials of ETA.

The Reynolds-Major proposal, called the Downing Street Declaration, offered Sinn Féin a place at a negotiating table in return for its renunciation of IRA violence and an IRA cease-fire.

child holding the flags of the Allies. "In June 1944, we said thank you," the posters say. "In June 1994, we bid them welcome."

Some 6 million to 7 million visitors, including 50,000 veterans, are expected for the commemoration. The main event in Caen on the evening of June 6 is a 30 million franc (\$5.2 million) extravaganza involving a cast of thousands to evoke the battle before an audience of 60,000.

Almost every town and village in the region will be commemorating the landings, even if for many, of their liberation brought tragedy, along with freedom.

Historic Norman towns, including Caen, Cherbourg, St. Lô, Le Havre, Lisieux, Pont l'Évêque and Coutances, were flattened by Allied bombers during the course of the battle.

The martyrdom of Normandy, in which about 15,000 civilians were killed, has always been a somewhat hidden aspect of the war.

Historians say the bombing, some of which occurred after the Germans had pulled out, created a postwar legacy of nationalist Gaullism and resentment in the badly affected Calvados and La Manche regions.

Aunay-sur-Odon, for example,

## France Has Its Own Authorized Version of the Liberation

By Barry James  
International Herald Tribune

**PARIS** — For the last half-century, the French and the Anglo-Saxons have agreed to differ about who did what at the Battle of Normandy in 1944.

"The French are persuaded, in part thanks to the rhetoric of General de Gaulle, that they won the war by their own means 'with the help of the Allies,'" Le Monde commented in a recent editorial.

This is not the way that the battle is viewed by most historians in North America and Britain, and the truth so far as France is concerned is less heroic than it is often painted, Le Monde said.

Despite such a clash of memories, however, there is no doubting the sincerity of the welcome for the thousands of veterans who will be coming to commemorate the Normandy landings next month.

Setting the tone for the commemoration, President François Mitterrand went out of his way during the inauguration of the Channel Tunnel last week to thank Queen Elizabeth in the name of France for Britain's commitment to the nation's liberation.

Posters throughout the region contrast a picture of troops wading ashore with the happy face of a

child holding the flags of the Allies. "In June 1944, we said thank you," the posters say. "In June 1994, we bid them welcome."

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## Veterans Win 2d Battle of Normandy

By Peter Brooke  
Reuters

**LONDON** — The British government has surrendered to World War II veterans by scrapping plans for a jamboree in London to mark the 50th anniversary of the D-Day invasion of Nazi-occupied France.

Veterans' leaders said Wednesday after talks with the government that a new event had been scheduled whose tone was commemorative instead of celebratory. It will be held on Aug. 14 to mark the end of the Normandy campaign.

"The family day in Hyde Park will be a fitting and memorable tribute to the servicemen whose courage made D-Day and the Normandy campaign such a success," National Heritage Secretary Peter Brooke said.

Prime Minister John Major's program of events for the Allied invasion of France on June 6, 1944, was unveiled last month and included fireworks, street parties and cooking contests, plus a family day in Hyde Park. Officials promised "dazzling family entertainment."

But enraged old soldiers said such a party would be frivolous and trivialize the sacrifice of the dead. Veterans' associations were called in for talks with an embarrassed government after calls for the party to be dropped completely.

Remembering the bitterness over the destruction of Caen, he was instrumental in building a memorial museum that more than any other captures the ambiguities as well as the heroism of war.

Although the Normandy landings are now described as the Liberation, the intention of the Allies in 1944 was simply to defeat Nazi Germany and if necessary set up a tutelary administration in occupied France.

This was not the vision of General Charles de Gaulle, the Free French leader. He determined that France should be independent as well as free.

Consequently, the Gaullists always made much of France's action in its own behalf, including the participation of French forces in the Normandy landings and the behind-the-scenes role of the Resistance. The underground struggle was immortalized in Joseph Kessel's book "L'Armée des ombres" ("The Army of the Shadows").

written at De Gaulle's behest. The Battle of Normandy, many historians argue, marked the emergence of the United States as a major power in Western Europe, and with it an American cultural penetration of Europe.

America was "the country which had sent our deliverance," said Simone de Beauvoir, who added that it had "nourished our youth."

Yet, American influence was more deeply rooted and pervasive in France, which tenaciously stood by the view that it had largely liberated itself.

That view still holds overwhelmingly today. According to a recent poll for Le Figaro magazine in Paris, 9 out of 10 French people (and 93 percent of the war generation) believe that the Free French forces led by De Gaulle played a decisive role in the liberation of the country.

That the French want their own efforts, while recognizing that they were rescued by their Allies, are two sides of an argument that is viewed differently here than in Washington or London. France may interpret history differently, but it is nonetheless grateful, both on the individual and at an official level, to those who fought and died for its deliverance.

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Ghana	001-20-22-91-22	Romania	001-20-22-91-22	USA (World)	001-20-22-91-22	USA (World)	001-20-22-91-22
Germany	001-20-22-91-22	Slovakia	001-20-22-91-22	USA (World)	001-20-22-91-22	USA (World)	001-20-22-91-22
Greece	001-20-22-91-22	Slovenia	001-20-22-91-22	USA (World)	001-20-22-91-22	USA (World)	001-20-22-91-22
Guatemala	001-20-22-91-22	South Africa	001-20-22-91-22	USA (World)	001-20-22-91-22	USA (World)	001-20-22-91-22

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## THE AMERICAS / UNPLEASANT SCENARIOS

## Clinton Faces Prospect of Protracted, Embarrassing Lawsuit

By David G. Savage  
Los Angeles Times Service

WASHINGTON — Although the episode occurred three years ago and there were no direct witnesses, legal experts who have examined the sexual harassment complaint filed against President Bill Clinton say it is likely to provoke a long legal struggle and possibly open the door to testimony about other accusations of sexual misconduct.

In the next few weeks, Mr. Clinton's attorney, Robert S. Bennett, will move to have the lawsuit dismissed on the grounds that the president is immune from damage suits while in office.

If that tactic fails — and most lawyers predict it will — attorneys for the president's accuser, Paula Corbin Jones, will very likely subpoena Arkansas state troopers and other women to testify under oath about their knowledge of similar sexual

encounters involving Mr. Clinton when he was Arkansas governor.

Even though Mr. Clinton's lawyer has dismissed the lawsuit as "tabloid trash," the case is likely to pose some very unpleasant scenarios for the White House.

The president's defense team can seek evidence to erode Mrs. Jones's credibility and raise doubts about her political or financial motives. But they will face very real prospects that stories about sexual episodes involving Mr. Clinton will begin appearing in court depositions, and that the case will stretch into 1996 and the re-election campaign.

Unlike a private defendant faced with a sexual harassment complaint, a high public official has relatively little room to negotiate a settlement. For the president to do so would suggest he was guilty.

If Clinton can't win a motion to dismiss, this lawsuit is likely to be around for a long time," said Erwin Chemerinsky, a

law professor at the University of Southern California and a specialist in constitutional damage suits. "And given the nature of the allegations, it will get enormous national attention."

The lawsuit focuses on one brief, alleged encounter on May 8, 1991, at the Excelsior Hotel in Little Rock, Arkansas. Paula Corbin, then 24, was a state employee assigned to work at a conference site.

According to her complaint, a state trooper, Danny Ferguson, escorted her upstairs to meet Governor Clinton. After some small talk, it said, the governor tried to kiss her and moments later lowered his pants, she says, and asked her to perform a sex act. She refused and left, according to the complaint.

Mr. Bennett said that Mr. Clinton had "no recollection" of meeting the woman and that the president has denied that the incident occurred.

While the suit has been characterized as

a "he said, she said" dispute, Mrs. Jones's complaint names several people who could corroborate part of her story.

Pamela Blackard, a state employee, was sitting with her when Mr. Ferguson approached and asked Miss Corbin to come to the governor's room, the lawsuit says. She was also there when Miss Corbin returned, shaken, a few minutes later, according to the suit.

Mr. Ferguson looms as a central figure. The lawsuit seeks damages from him, as well as from Mr. Clinton. The trooper will have to respond separately to the allegations.

A Washington attorney who has represented management in sexual harassment cases, Zachary Fasman, said Mr. Ferguson "could be the linchpin" because his testimony could confirm or rebut the allegation that Mr. Clinton invited the woman to his hotel room.

In addition, Mrs. Jones's attorneys will almost surely be empowered to take depositions from other troopers or other women who have been seen with Mr. Clinton.

"Under the federal rules of civil procedure, you are entitled to very broad discovery," said Deborah Ellis, executive director of the National Organization of Women Legal Defense Fund in New York.

Usually, these potential witnesses are compelled to answer under oath. Barring an order to the contrary, the statements would be made available as court documents.

"At that stage, discovery is not limited to what is admissible in court," Mr. Chemerinsky said. "It is to get evidence that might be relevant, something that would lend support to her explanation."

Published reports have quoted several Arkansas state troopers alleging that they routinely arranged sexual encounters between Mr. Clinton and various women.

## ★ POLITICAL NOTES ★

## White House Trims Coveted 'Access' List

WASHINGTON — A year ago, the White House chief of staff, Thomas F. (Mac) McLarty, promised that the administration would clean up its act on unrestricted White House access by presidential pals — a practice the General Accounting Office says creates "the appearance of inappropriate influence."

Some friends of President Bill Clinton, such as the Hollywood producer Harry Thomason, received White House "hard" passes at the outset of the administration. The passes allowed them to roam freely through the White House without appointments or a record of their activity. Regular people have to call the White House for an appointment and are not afforded roaming rights.

But what the White House did not disclose when it announced it was confiscating the pals' hard passes was a less-well-known way to wander the White House at will: an "access list" kept by White House guards. People on that list simply give their names at the gate and enter at will, just as if they had the coveted hard passes.

A senior official said that a review of the pass situation, which was begun when it was disclosed that hundreds of White House officials had delayed getting their permanent passes, also turned up the access list, which then was purged of the Clintons' lobbyist friends. Henceforth, the insider lobby of the world will have to make an appointment.

Administration officials, first contacted by The Washington Post more than three weeks ago about the access list, said the names were removed about two weeks ago. They added that press inquiries were not responsible for the tightening-up. (WP)

## Health Firms Douse Congress With Cash

WASHINGTON — Members of Congress considering proposals for reforming the health care system are reaping a windfall in election-year contributions from industry groups most affected by the legislation, campaign records show.

Health care and insurance lobbies have contributed \$579,352 to members of the House Ways and Means health subcommittee during the 1994 election cycle, according to a review by The Associated Press of campaign reports on file with the Federal Election Commission through March 31.

That represents nearly a threefold increase over the like period in the last election cycle, when the same 11 lawmakers got just \$206,135 from health and insurance political action committees. (AP)

## New York Mayor Gambles on Crime Fear

NEW YORK — In proposing his budget for the next fiscal year, Mayor Rudolph Giuliani made a calculated political judgment: that the voters and their representatives are worried more about safe streets than clean streets and more about fighting fires than maintaining parks, and that ultimately, the City Council will not have the nerve to battle him on public safety issues.

In the \$3.1 billion spending plan, two agencies — the police and fire departments — were the only city agencies protected from a 7 percent cut in the municipal work force that he imposed to reduce the \$2.3 billion deficit.

Lawmakers quickly indicated they would fight. "We believe there is administrative bloat and excess that can easily be knocked out without affecting the number of cops," said Peter F. Vallone, the City Council speaker.

Mr. Giuliani, a former prosecutor, vehemently maintains that police strength was crucial to the city's social fabric and quality of life. (NYT)

## Quote/Unquote

Senator Edward M. Kennedy, speaking in favor of legislation to improve national health care: "I have felt for years that every American should have the opportunity to have the same health coverage on the same terms as members of Congress and the president." (WP)

## Charges Revived on Kevorkian

New York Times Service

SOUTHFIELD, Michigan — Michigan's law against assisting in a suicide has been invalidated on narrow technical grounds by a three-judge panel of the state court of appeals.

But the court also reinstated two murder charges against Dr. Jack Kevorkian that resulted from suicides in 1991, before the law aimed at blocking him from helping others die was passed.

Ruling by 2 to 1 on Tuesday in Lansing, the state capital, the court cited a 1920 Michigan case in which a husband was successfully prosecuted for murder for placing poison within reach of his terminally ill wife, who drank it.

Earlier this month, a Detroit jury found Dr. Kevorkian not guilty of aiding the suicide of a 30-year-old man last August, even though he admitted having done so.

The retired pathologist has helped 20 people take their own lives since 1990, though he stopped doing so nearly six months ago, saying he would await "some definitive decision from the courts."

Oakland County Prosecutor Richard Thompson, a longtime Kevorkian opponent, applauded the decision to reinstate the murder charges.

"I feel somewhat vindicated today," he said. But he said he would prefer to wait to begin any murder trial until after the appeals process.



Dr. Jack Kevorkian after the latest Michigan state court ruling.

## Away From Politics

Several prominent historians, including C. Vann Woodward, Shelby Foote, James M. McPherson and David McCullough, are fighting an American history theme park that Walt Disney Co. intends to build near Civil War battlefields in Virginia. Mr. Woodward said, "If we permit the Walt Disney Co. to commercialize the area of 16 Civil War battlefields in northern Virginia for tourist trade profits, we will forfeit our respect for our past and much of our self-respect as well."

A former boys' choir director and priest at a Franciscan seminary pleaded guilty in Santa Barbara, California, to a charge of molesting a boy under the age of 14. "I'd like to admit that I did abuse this child," the Reverend Robert Van Handel said in court. He faces a maximum eight years in prison.

Adolescents who are good pupils and go to church are just as likely to have sex as those who have divorced parents and low self-esteem, researchers at Northwestern University Medical School reported after surveying 1,000 Chicago-area elementary and junior high school pupils.

Joseph Hazelwood, who was skipper of the tanker Exxon Valdez when it spilled nearly 11 million gallons of oil into Alaska fishing grounds in 1989, testified that Exxon Corp. knew he was drinking while assigned to work on tankers but did nothing to stop him. Mr. Hazelwood took the stand in a civil lawsuit against himself and Exxon that was brought by 10,000 fishermen, property owners and Alaska natives seeking \$1.5 billion in compensatory damages and as much as 10 times that amount in punitive damages.

A private helicopter plummeted onto a California state highway about 20 miles east of downtown Los Angeles and burst into flames, hitting at least two vehicles and killing at least two people, authorities said. (AP, LAT)

## Weather Satellite Systems to Merge

New York Times Service

WASHINGTON — The U.S. government will combine the operations of civilian and military weather satellite systems into a single unit that should operate more efficiently and save hundreds of millions of dollars, officials announced Tuesday.

The merger will place under civilian control four weather satellites, two operated by the Defense Department and two by the Na-

tional Oceanic and Atmospheric Administration. In about a decade, the operation will be reduced to three more advanced satellites to avoid duplication.

Each of the satellites, which orbit the world from pole to pole at an altitude of 490 miles (790 kilometers), looks at the planet twice daily to provide weather pictures, as well as data on moisture, temperature, solar radiation and other conditions.

Officials said that combining the

systems, part of a Clinton administration program to streamline government, should save as much as \$300 million by the end of the decade.

Under an interagency agreement, the Defense Department is to procure future weather satellites, the Commerce Department's atmospheric agency is to operate the system, and NASA is to conduct research on advanced technology to be incorporated into new spacecraft.

## PC: To Many Scholars, the Stringent Codes Have Orwellian Consequences

Continued from Page 1

of the most liberal denominations in the country. It has a Sexual Harassment Task Force, comprising students and faculty members, to investigate and judge such complaints.

Richard Lewis, a professor who is a member of the panel, said he could not talk about the specifics of the case against Mr. Snyder but added that the charges involved "more than just this one case."

Mr. Snyder said the panel had informed him of the other complaints, which were never formal charges and which occurred several years ago.

In one, a woman had complained that the professor had inappropriately bumped into her near a copy machine. And he said the panel told him that three other women had complained that Mr. Snyder had touched them or "undressed them with his eyes."

Since filing the suit, Mr. Snyder said he had received dozens of calls and letters from teachers who have rallied to his support. "They tell me, 'If you lose this case, it's all over for academic freedom,'" he said.

Long before sexual harassment became part of the lexicon, teachers were getting into trou-

ble for frank discussions in the classroom. In the 1940s, Bertrand Russell, the British philosopher and social reformer, was denied appointment to the City University of New York because of his discussion of "trial marriages."

Experts on sexual harassment say the over-

**'The dividing line between what is sexual harassment and legitimate academic discourse is not well established right now.'**

whelming number of cases involve serious abuse.

"Men have this perception today that almost anything at all can be considered sexual harassment, and that's just not accurate," said Eric Satre, a lawyer in Minneapolis who represents people filing claims for harassment. "Sexual harassment is not just some 'mistake.' It's when you're out to demean and degrade."

Teachers typically say they have no objection to strict enforcement of direct, or quid pro quo, sexual harassment: making sexual favors a condition of employment or a good grade. But they are uncomfortable with the issue of "hostile environment," as stated in the Equal Employment Opportunity Commission's guidelines.

"The dividing line between what is sexual harassment and legitimate academic discourse is not well established right now," Ms. Franke said. "And the concern is that a kind of self-censorship takes place and gets in the way of legitimate subjects of academic inquiry."

In 1940, the American Association of University Professors drafted a statement that is still its guiding principle on the issue.

"Teachers are entitled to freedom in the classroom in discussing their subject, but they should be careful not to introduce into their teaching controversial matter which has no relation to the subject."

While discussion of sex has no place in a mathematics class, Ms. Franke said, any serious study of the humanities would be inadequate without it. It would be nearly impossible to study "Madame Bovary," for example, or, for that matter, the Bible, without talking about sex.

## Singapore Relieved Kantor Isn't Backed

Reuters

SINGAPORE — Singapore expressed relief on Wednesday at the State Department's disavowal of the U.S. trade representative, Mickey Kantor, for his opposition to holding a major trade meeting in Singapore.

"We welcome the State Department clarification that the U.S. has not yet taken a position on our proposal to host the first WTO ministerial conference," a Foreign Ministry spokesman said, referring to the World Trade Organization.

"We reiterate our position that our bid to host the conference stands, and it is up to the WTO members to decide," he added.

Mr. Kantor repeated Tuesday that he would oppose Singapore's bid to be host for the meeting.

The U.S. State Department spokesman, Michael McCurry, suggested that Mr. Kantor was expressing his own view rather than speaking for the United States.

"I don't believe that we have taken a position on who should host that," Mr. McCurry said. "I think the ambassador certainly reflected his view on that question. I think he was expressing his view."

Mr. Kantor's statements were seen as retribution for Singapore's caning last week of an American teenager, Michael Fay, though Mr. Kantor did not link his opposition with the caning dispute.

"The United States believes that the trade ministerial ought to be held somewhere else," Mr. Kantor said on Monday. Next year, the WTO will supplant GATT in monitoring world trade.

Asked if his decision was expressly related to the Fay caning, Mr. Kantor said only, "I have made myself quite clear."

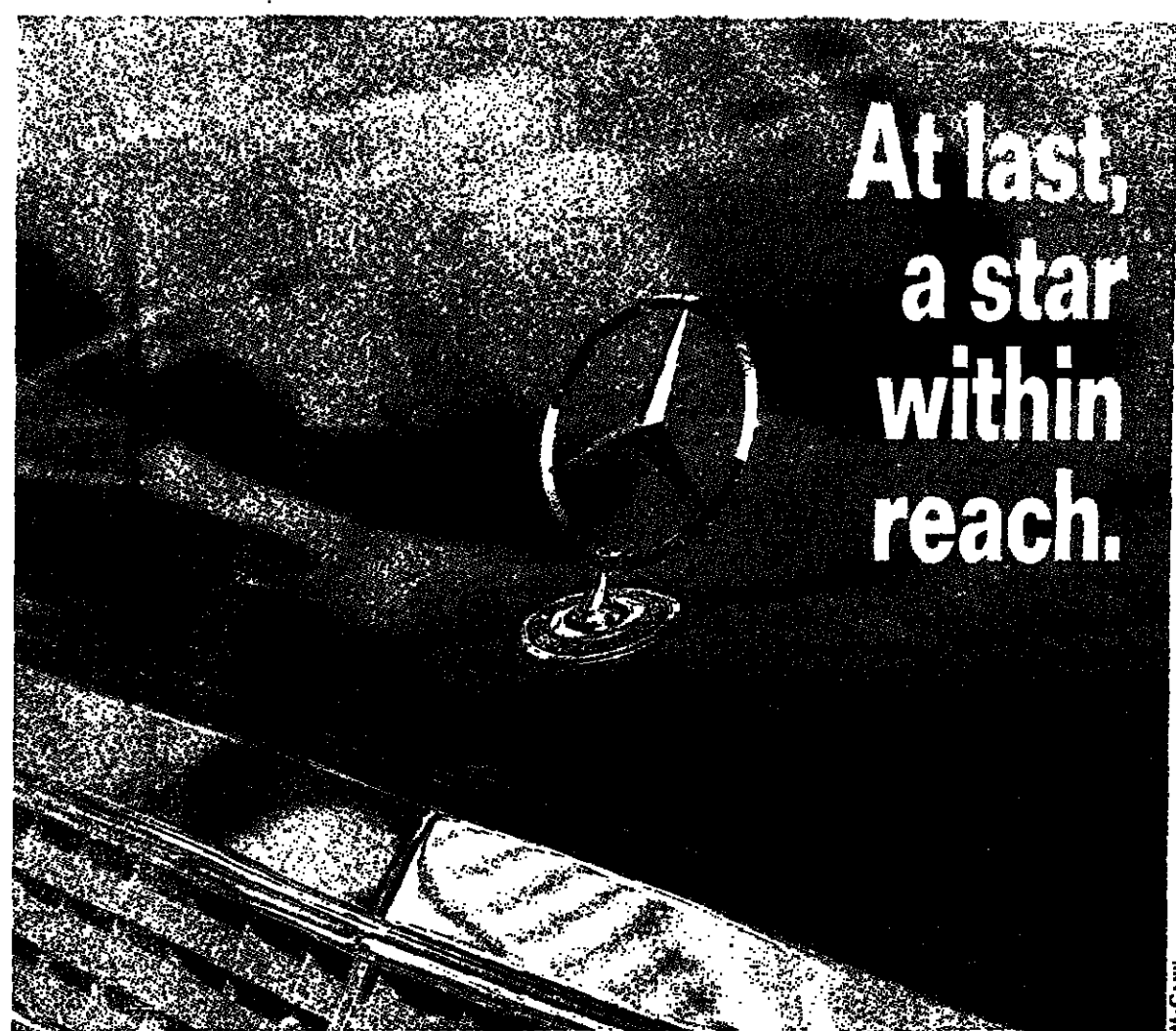
Last Thursday, Mr. Fay received four strokes of a rattan cane as part of a sentence for spray-painting cars and other offenses. He also has been fined \$2,000 and is serving a four-month jail term.

President Bill Clinton appealed to Singapore three times for clemency before Mr. Fay was punished.

Although Singapore said the reduction from six strokes to four was a gesture to Mr. Clinton, the president criticized the caning again after it took place, and the Singaporean ambassador to the United States was summoned to the State Department to hear U.S. protests.

Mr. Kantor stood firm on Tuesday, but he did note that the United States alone would not decide who will hold the WTO meeting.

"We believe that the first ministerial meeting, which of course has not been discussed officially in the preparatory committee (of the GATT), should be held somewhere else than Singapore," Mr. Kantor said.



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## We Need the World, China Tells Traders

### Li Peng Courts Business

By Jonathan Gage and Kevin Murphy  
International Herald Tribune

BEIJING — Just a year ago it would have been all but unthinkable.

Prime Minister Li Peng, giving a dinner for major foreign corporate leaders and several hundred of their guests in the Great Hall of the People, asked Wednesday for money, technology and management skills to help build China's economy.

"To accomplish our objectives, we need the cooperation and support of the rest of the world," Mr. Li said. "At the same time, we're lacking funds for investment."

Earlier, in his private reception room, surrounded by members of China's State Council and other high officials, Mr. Li treated just the business leaders to an hour-long off-the-cuff assessment of the state of his country.

The tea, overstuffed armchairs and moist face-towels were familiar to frequent visitors at China's seat of government. But calling in a group of some of the world's ranking capitalists for a confident and yet frank-sounding explanation of China's problems and promise was something quite new for the Chinese government, according to local and foreign officials and businessmen.

"We need the world and the world needs China," Mr. Li said in his address in the building at Beijing's Tiananmen Square. "The world needs to understand China and China needs to understand the world."

It was a message often repeated at a hotel across town Wednesday, where a two-day conference co-sponsored by the government and foreign business got off the ground.

The conference — dubbed "The 1994 China Summit" — brought together more than 500 foreign and Chinese corporate leaders and government officials to discuss the role of foreign business in what China calls its socialist market economy.

The gathering, Chinese officials emphasized, was the first in which the country's most senior leaders have mingled and exchanged views directly with hundreds of foreign and local business people and diplomats,

as well as with lower-ranking Chinese officials from whom they otherwise remain distant.

Beijing views the conference as a means of reaching out to foreign business to finance its rapidly evolving program of economic reforms. The event comes at a time when China's banking, securities markets and taxation systems are being rebuilt along more capitalist lines and its money-losing state-owned industries are being forced to compete in a market economy.

"1994 is a critical year in the process of restructuring our nation's economy," said Wu Jie, vice chairman of China's State Commission for Restructuring the Economic Systems. The commission, which is overseeing China's ambitious economic transformation, organized the conference along with the International Herald Tribune.

"This has been the year we have attacked the most difficult issues," said Gao Shanguan, a leading reform economist.

Despite major challenges in controlling inflation and slowing growth, China remains determined to intensify its economic reform process and further open itself to international trade and investment, according to remarks by leading figures in Beijing's economic reform movement.

Corporate hosts and executives who met with Mr. Li included Percy Barnevik, president and chief executive of ABB Asea Brown Boveri Ltd.; Ronald B. Woodard, president of Boeing Commercial Airplane Group; Patrick J. Ward, chairman and president of Caltex Petroleum Corp.; and Philip Tose, chairman of Peregrine Investments Holdings.

Conference participants include China's minister of finance, Lin Zhongli, and minister of foreign trade, Wu Yi; State Councilor Li Tieying, the official in charge of restructuring China's state enterprises and economy; the former West German Chancellor, Helmut Schmidt; the director-general of the General Agreement on Tariffs and Trade, Peter D. Sutherland; Ernest Stern, managing director of the World Bank; and Malaysia's prime minister, Mahathir bin Mohamad.



Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, speaking Wednesday. He said "much remained to be done" for China to join GATT's successor organization.

## GATT Chief Warns Beijing: Meet Conditions or Miss Out

By Michael Richardson  
International Herald Tribune

BEIJING — Peter Sutherland, the chief of GATT, warned China on Wednesday that it was rapidly running out of time to negotiate its entry into the World Trade Organization before it comes into existence in January.

He said that China's trading partners would insist on further liberalization as the price for membership in the body that sets the rules for global trade.

Mr. Sutherland said that while China wanted to rejoin GATT, the General Agreement on Tariffs and Trade, its trading partners would make the decision still considered that the country maintained a "two-track system" that restricted imports and market access.

While China had developed export production driven by foreign investment in special economic zones and open coastal cities, it was combined with "a considerably more restricted trading environment in the rest of China," he said.

Mr. Sutherland was speaking at the opening of an international conference on China's economy co-sponsored by the International Herald Tribune and China's State Commission for Restructuring the Economic Systems.

In a briefing for senior officials and business executives attending the meeting, Li Peng, China's prime minister, said Wednesday night that his country, which left GATT after the Communist take-

over in 1949, wanted to rejoin and "has made up its mind to live up to its conditions."

However, Mr. Li and other Chinese officials made it clear that there were limits to how far China would go in meeting the membership terms set down by GATT.

Western analysts said it was very unlikely that China could rejoin GATT in time to become a founding member of the more powerful World Trade Organization that will take GATT's place early next year.

Mr. Sutherland said, "The time scale is extremely limited and much remains to be done."

A European diplomat posted in Beijing, speaking on condition he not be identified, was more pessimistic and forthright. "There's no way they can do it," he said.

China wants membership in GATT and its successor agency to mark its emergence as a respected and influential trading power. It also sees membership as a way of increasing its exports, especially of manufactured goods, and attracting new foreign investment to provide growth and employment.

Since China began its economic reforms in 1979, it has risen from being No. 31 in the global trade league to No. 11 last year, when it accounted for 3 percent of world trade.

Alluding to China's growing importance, Mr. Li said that other countries wanted China in the new trade organization because, if it

was left out, the WTO could "hardly be described as complete."

Li Tieying, a member of the State Council, China's cabinet, and chairman of the economic restructuring commission, said in an interview that in responding to questions from GATT, "We can say China has revealed more than any country about its economy and greatly opened to the rest of the world."

Mr. Sutherland said that China's program of trade and economic reforms had "contributed greatly" to bringing the country more closely in line with the world trading system.

But he added that there were "a whole range of areas where more transparency is sought and where there is a need for greater assurance to be given" to the GATT members who were considering China's admission.

Many GATT members remained concerned about the extent to which imports into China were treated equally with domestic production, Mr. Sutherland said.

They were also concerned, he said, about informal or undisclosed quotas or licensing arrangements that inhibited the sale and distribution of products throughout China.

Many of these arrangements are intended to protect the thousands of state-owned enterprises that provide a large part of China's output and employment.

## Officials Set To Flee Push By Rebels In Rwanda

Compiled by Our Staff From Dispatches

NAIROBI — Rebel advance and bombardments sowed panic among residents of Rwanda's capital on Wednesday, forcing many people linked to an interim government to pack up their goods and prepare to flee the capital, Kigali.

"The government seems to be in total disarray with many officials preparing to leave the country with their families," Abdul Kabia, executive director of the UN Assistance Mission in Rwanda, said Wednesday.

He said shelling had reverberated around the hills of Kigali much of Tuesday night.

Heavy fighting between the Rwanda Patriotic Front and government forces was also reported in the northern suburbs of Rubengera, Tumba and Nkumba.

Most of the center of the capital was still in government hands, but Patriotic Front fighters were trying to encircle it and cut off south escape routes toward Burundi.

One resident said that the FRP was shelling both military and civilian targets. "Almost everybody is hiding in their houses," he said.

The United Nations, meanwhile, has proposed about 5,500 troops to support relief operations and protect civilians.

The troops, which would be deployed over a monthlong period, should be able to use force if they are attacked, Secretary-General Butros Butros Ghali said in a port issued to the United Nations Security Council on Tuesday.

The council decided last month to reduce the UN peacekeeping mission in Rwanda substantially, leaving only about 300 troops.

"It is imperative that a further deterioration of this catastrophic situation is prevented," Mr. Bu Ghali said.

The new force should be "strong, highly mobile force, capable of self-defense," his report said.

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## China Seen as Likely to Get Clinton's Nod on Trade

By Thomas L. Friedman  
New York Times Service

WASHINGTON — The chairman of the House Foreign Affairs Committee expects China to meet President Bill Clinton's human rights demands as a condition to renewing trade benefits to Beijing. If it does, he said, the administration should stop threatening China with sanctions and use other means to promote human rights.

The chairman, Representative Lee H. Hamilton of Indiana, also urged Mr. Clinton to lay the groundwork for a policy that would take account of U.S. trade, security and political interests.

"I believe the president has not always provided the personal articulation and justification that his policies need," Mr. Hamilton said in a speech at the American Enterprise Institute.

"On China, we need a broader understanding of our national interest," he said. "We need a skillful balancing of economic, security and human rights interests, rather than a single-minded emphasis on one objective."

Mr. Hamilton highlighted an intensifying debate, just three weeks before Mr. Clinton

must decide whether to renew China's trade benefits as a "most-favored nation." Senior administration officials said they are involved in an intense dialogue with China to try to get Beijing to show as much progress on human rights as possible in the next few weeks.

While no one at the White House will say so publicly, it is now widely assumed within

### Some lawmakers say China will meet only some of the U.S. demands.

the administration and on Capitol Hill that Mr. Clinton will find a way to renew all or most of China's trade benefits, which allow it to export products to the United States at the lowest tariff rates.

The only real question is what political steps the president will take to get down from the tall tree he climbed a year ago, when he declared that he would not renew trade benefits without "overall significant progress" on human rights.

While China has made some progress, and

administration officials hope for more, how "significant" it will be remains to be seen.

One option was endorsed by Mr. Hamilton when he said "I hope and I expect" that China will do enough by June 3 — such as accounting for political prisoners — that the president will be able to declare that Beijing has met his conditions.

Mr. Hamilton said Mr. Clinton should then renew China's trade status, and permanently retire the threat of a revocation. Instead, he said, Mr. Clinton should try to influence China by fostering "change through personal diplomacy and our economic ties."

Under another option, some lawmakers and human rights organizations argue that, barring some dramatic move, China at best will fulfill only some of the president's human rights demands before the deadline.

They contend that the president, for his own political credibility, cannot renew China's trade benefits across the board, given the spotty progress Beijing has made on human rights.

Instead, they advocate renewing the most-favored-nation status for China's private exports, but withholding it for selected exports

from government-owned or army-owned factories.

Senior officials say the final decision will come down to a political judgment for the president. If he gets just enough progress from Beijing, he could swallow hard, renew China's trade status and take the criticism from editorial writers and some members of Congress, who will inevitably point out the differences between his oratory and his actions.

Or he could choose the politically more attractive route of renewing trade benefits selectively, thus remaining true to his campaign promises while not aborting the trading relationship.

Not only the president has a political interest in such a compromise, so do many of the most outspoken Democratic lawmakers who have advocated a tough line on China since the 1989 democracy movement was brutally crushed.

Although many administration officials believe a selective approach is unworkable, given the difficulty of sorting out whether a company is privately owned or state-owned, for political reasons this may turn out to be the policy.

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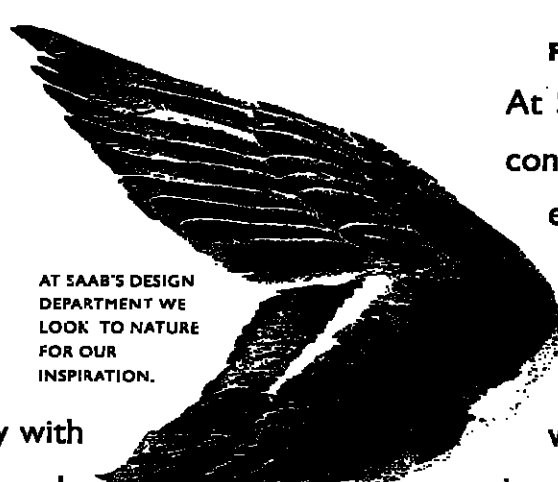
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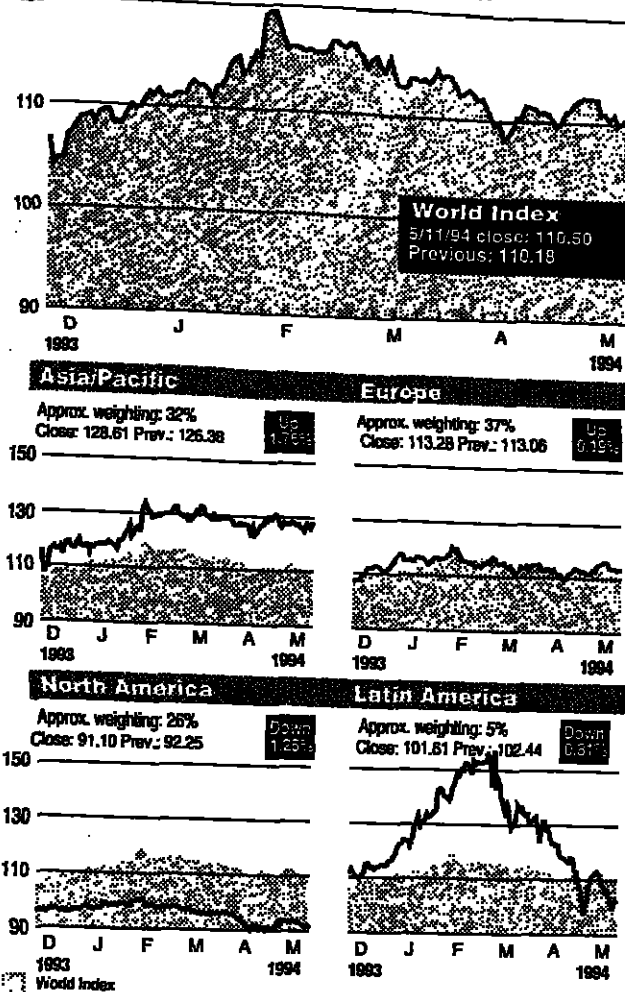






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Utilities	116.64	116.05	+0.51	Raw Materials	123.49	122.32	+0.96
Finance	116.37	115.18	+1.03	Consumer Goods	95.50	95.73	-0.24
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## Wiring Russia With the West's Aid

### Phone Firms See Big Challenges, Big Profit Potential

By Richard W. Stevenson  
New York Times Service

MOSCOW — Boris Y. Nemtsov, the governor of the Nizhny Novgorod region 400 kilometers (250 miles) east of here, introduced a novel program recently: selling, for up to \$450, certificates that promise purchasers they will get telephones installed in their homes within six months instead of the years they would normally wait. Officials said residents were snapping up the certificates.

The money raised will be spent improving the region's decrepit telephone system. By paying interest at 1 percent a day for any delay beyond six months, the plan provides considerable incentive for the local telephone company to speed its work.

Though the method may be unorthodox and the scale relatively small, the plan indicates the huge demand for improved communications in a country where getting a dial tone can be a triumph of will, and of the lengths Russia is going to address the problem.

If there is a consensus within Russia on anything, it is that the telephone system must be upgraded, to provide Russians with greater access to service and to make it possible for business to be conducted more easily with the rest of the world and within a country that spans 11 time zones.

"It's hard to speak seriously of economic and business development in Russia without the development of modern telecommunications systems," said Dmitri B. Garamov, the director general of Westelcom, which operates the nation's main international telephone service.

tem is so high a priority that it is one of the few businesses in which the Russian government, local and regional authorities and the domestic industry have all made a determined effort to welcome foreign investors such as U.S. West Inc. and AT&T Corp. — or at least the cash, technology and operating skills they bring.

"It's next to impossible to develop a high-quality telecommunications infrastructure

**'It's next to impossible to develop a high-quality telecommunications infrastructure without Western investment.'**

Vyacheslav F. Gurkin, a former deputy communications minister.

without Western investment," said Vyacheslav F. Gurkin, a former deputy communications minister who now runs Moscow Cellular Communications, a venture with U.S. West, the regional telephone company based in Denver.

Indeed, U.S. West and other foreign companies have established stable operations here, and they are cautiously optimistic the upgrading of the national and local phone systems will prove to be a huge business opportunity.

In a place this size, communications in the

long run is going to be a big deal," said Viktor V. Pavlenko, president of U.S. West International's division in Russia.

Right now, however, communications in Russia is a big headache. By various counts, Russia has 11 to 15 phone lines for every 100 people. In Spain there are 35 lines for 100 people, and in the United States, 70 lines for 100 people.

In Moscow and St. Petersburg, calls can usually count on getting a dial tone, but not much more. Calls are often not completed, or are plagued by static or abruptly cut off. In outlying areas, service is much worse.

The centerpiece of the nation's telecommunications strategy now is a multibillion-dollar plan, in which U.S. West will play a key role, to install 50,000 kilometers of intercity long-distance lines and 50 switching centers across the country. After a number of fits and false starts, there is optimism that the plan — the biggest telecommunications project on the boards anywhere — will come to fruition, wiring the country reliably for the first time.

For foreign companies seeking business here, an even bigger prize lies just over the horizon: the tens of billions of dollars — some estimates run as high as \$120 billion — that it would take over several decades to add 20 million or more local lines and bring Russia's phone service up to the level of, say, Spain's.

While Russian and Western executives here said they were hopeful about the opportunities, the prospects for the modernization

See PHONES, Page 17

## Trade Accord Widens Russian Access to EU

By Tom Buerkle  
International Herald Tribune

BRUSSELS — The European Union has reached a broad trade agreement with Russia that will significantly widen Moscow's access to the markets of its biggest trading partner, officials said Wednesday.

The so-called partnership and cooperation agreement is one of the main elements in Western efforts to support economic reform in Russia. It will offer the possibility of a free-trade pact with the Union sometime after 1997 if Russia makes progress toward developing a market economy. It also calls for presidential meetings between the two sides twice a year.

"The agreement is very ambitious," said a spokesman for Sir Leon Brittan, the EU trade commissioner.

Sir Leon sealed the accord after tentative compromises (two key stumbling blocks — trade in uranium and access for European banks to Russia's market — in telephone talks in the past two weeks with Alexander Shokin, the deputy prime minister and economics minister of Russia. Differences on those issues have blocked an agreement for six months.

A spokesman for France's permanent representation to the Union was guarded about the pact, however, saying the uranium safeguards were "very vague" and did not appear to be sufficient.

Officials of the European Commission, the Union's executive agency, briefed ambassadors on the accord on Wednesday and the Union's foreign ministers were scheduled to review the deal at a meeting here Monday and Tuesday. The agreement must be ratified by the Russian parliament and the 12 Union member states.

The agreement would abolish EU quantitative restrictions on Russian exports of steel, textiles, cars, televisions and radios and vodka, while improving guarantees for Western investment in Russia.

In 1992, the most recent full year for which statistics are available, the Union imported roughly 14.3

billion European currency (\$17 billion) of goods from Russia, mainly oil, natural gas, other minerals and metals. That represents nearly half of Russia's exports, amounted to more than 20-33 U.S. imports from Russia and 1.2 billion U.S. dollars in the first 10 months of 1993.

The key to the agreement, 0.26 compromise over uranium, Russia's demand to include it in the trade agreement satisfying French concerns the need to protect its nuclear industry.

Under the compromise, the sides will exchange letters in which Russia will pledge to maintain stable and viable uranium prices that does not need to be done in the output on Western markets, the Union will hold out the possibility of joint consultations if any uranium in the market. Union officials said. That agreement would allow the Union impose quotas in case of any in imports that depresses uranium prices, they said.

In 1993, the Commonwealth Independent States sold the U.S. about 3,000 metric tons of uranium, roughly 25 percent of U.S. supply, for around \$1 billion. That is not separate figures for Russia, but they account for the bulk of CIS shipments, commission officials said.

On banking, Sir Leon's spokesman said Moscow had pledged to exempt five European banks from a recent decree barring foreign banks from accepting deposits from Russians. The banks — AMRO Bank and ING Bank of the Netherlands, Societe Generale Credit Lyonnais of France, Dresdner Bank of Germany — opened offices in Russia before the decree was announced by President Boris N. Yeltsin last November.

The spokesman said the commission hoped Russia would drop the decree altogether in 1995.

## Lack of Fed Rate Move Buffets Dollar

By Lawrence Malkin  
International Herald Tribune

NEW YORK — Financial markets waited nervously Wednesday for the Federal Reserve Board to drop the other shoe and raise interest rates after the Bundesbank lowered them. Wall Street wants to hear a powerful message, perhaps stronger than the Fed itself wants to send.

But without a message from Washington before the Federal Open Market Committee votes Tuesday on interest-rate policy, the dollar first jumped almost a penny against the Deutsche mark and then slumped back.

The volatile government bond market barely moved, but then came under pressure after the Treasury's auction of 10-year notes met with a weak reception from investors worried about rising long-term interest rates.

The dollar finished in New York at 1.6683 DM, down from 1.6725 Tuesday. It also fell to 104.250 yen down from 104.415; to 1.4250 Swiss francs from 1.4329; and to 5.7210 French francs from 5.7305. The pound strengthened to \$1.4965 from \$1.4887.

Financial markets were buffeted Tuesday by rumors that the Bundesbank and the Fed had a deal to move interest rates in tandem,

with the federal funds and discount rates each going up by half a percentage point to match a similar German cut. But when the Fed made no rate adjustment announcement by midday in New York, its usual time of activity, the dollar had lost its overseas gains.

In Washington, Treasury Secretary Lloyd Bentsen said he welcomed the Bundesbank's rate cut. He reiterated that the U.S. government did not favor a weaker dollar and said "for the present, our intervention has succeeded." He pointed out that since May 4, when half a dozen central banks threw an estimated \$3 billion into the markets, the dollar had risen convinc-

ingly against the mark and the yen.

Officials did not rule out another intervention if necessary, but it was clear that the next move to support the dollar was up to the Fed in the form of higher interest rates. So what is the central bank waiting for?

First and foremost, the Fed does not want to be perceived as being hustled by aggressive and bearish young bond traders who have grown up on high inflation and low growth and cannot believe that the reverse is possible — as it was in the 1960s.

"Alan Greenspan, of course, is approaching twice the age of the average bond salesman. He remem-

See DOLLAR, Page 12

## INTERNATIONAL MANAGER

### Huntsman Buys and Bides His Time

By Kathryn Jones  
New York Times Service

SALT LAKE CITY — When the going gets tough for industrial companies, Jon M. Huntsman hops in his jet and goes hunting. Chemicals are his game, and the Utah billionaire has built the largest privately held chemical business in the United States by snapping up premium properties at low prices when the industry goes into one of its periodic recessions and when big corporations unload chemical assets.

These days, he is taking aim at some huge targets. In late April, Mr. Huntsman, chairman and chief executive of the Huntsman Cos., completed the largest and perhaps riskiest deal of his life. He and Kerry Packer, one of Australia's richest men, paid \$860 million for Texaco Inc.'s worldwide petrochemical operations. The acquisition will almost double the size of his family business, to about \$3.4 billion in annual revenue.

Last week, Mr. Huntsman disclosed that he was in talks to acquire at least part of the chemical operations of another American company, which he would not identify.

The timing of these deals, in the middle of the worst chemical downturn in recent memory, is vintage Huntsman. He has often gone against conventional wisdom, buying when others are selling and lying low when plants are humming and prices high.

"We think that once again, as we did in the 1980s, we can catch the market upswing, repay our debt and move up," Mr. Huntsman said in his office in downtown Salt Lake City, a room filled with mementos from his stint as White House staff secretary for Richard Nixon and trips to Britain and the former

Soviet Union with his mentor, Armand Hammer, the late industrialist.

Mr. Huntsman's scrappiness and habit of watching every penny has deep roots. Born in Blackfoot, Idaho, in the heart of potato country, Mr. Huntsman dug potatoes and did odd jobs to help his father, a music teacher, and his mother make ends meet.

Mr. Huntsman, who had harbored dreams of being an entrepreneur, in early life formed

**The Utah billionaire has built the largest privately held chemical business in the United States.**

his own business that made plastic packaging, including containers for fast-food products such as McDonald's burgers. In 1970 he sold that company and started over, sowing the seeds of his current empire.

Mr. Huntsman has since assembled his collection of companies by betting on turnarounds and sticking out long enough. Once he even pledged his house as partial collateral to acquire the polyethylene plant of Shell Oil Co. That 1982 acquisition started his Huntsman Chemical Corp., which makes raw materials for various plastics.

A separate company, Huntsman Packaging Corp., specializes in packaging and has bought businesses from Goodyear Tire & Rubber Co., Mobil Corp. and Hoechst Celanese Corp.

The recently acquired Texaco Chemical

Co., which makes a range of chemical products and which is now a separate company called the Huntsman Corp., will give Mr. Huntsman's chemical operations diversity and make it one of the largest suppliers of raw materials for products such as soaps, detergents, mothballs and toothpaste.

Yet analysts and even Mr. Huntsman say the latest industry downturn, which began in late 1989, has been deeper and longer than expected because so many companies built petrochemical plants in the 1980s. Dozens of companies have reshuffled or cut back chemical operations.

When the Texaco acquisition was announced in September, some analysts questioned whether Mr. Huntsman had paid too much too soon.

But Mr. Huntsman's timing may be on the money again, analysts say. Mr. Huntsman said he noticed the first price increases on chemical products in March. Analysts said the industry has hit bottom and is on a "slow turn," although they caution that it will take several years to make a turnaround.

Jake Garn, the former Utah senator and vice chairman of Huntsman Cos., said Mr. Huntsman had an instinct for timing. "He's not one to say, 'What's the market today or tomorrow or even next year.'"

Since the Huntsman companies are private, they do not disclose earnings. But analysts say Mr. Huntsman has a good record of turning around unprofitable operations such as the Texaco unit. His typical strategy is to cut redundant administrative costs, close inefficient plants and fine-tune operations so that plants run more efficiently.

## Gille Leaves Crédit Lyonnais

By Alan Friedman  
International Herald Tribune

PARIS — Francois Gille, the managing director of Crédit Lyonnais who is being investigated for the bank's role in a Swiss bankruptcy, resigned unexpectedly on Wednesday.

Mr. Gille, 58, who was accused by a Swiss judge in February with complicity in the bankruptcy of Sasea, a Swiss company that received loans from the French bank, resigned "with immediate effect," according to Crédit Lyonnais.

Sasea, together with Giancarlo Parretti, the controversial Italian financier, ran a web of companies that were backed by a total of \$1 billion of Crédit Lyonnais loans to buy Metro-Goldwyn-Mayer Inc. in 1990.

Mr. Gille was charged by Judge Jean-Louis Crochet, a Geneva magistrate who is investigating the 1992 bankruptcy of Sasea. Also charged in February was Jean-Yves Honer, who was removed as chairman of Crédit Lyonnais last November and then fired by the French government on March 30 from his new job as head of the much smaller Crédit National.

Edmond Alphandery, the economics minister of France, said at the time of Mr. Haberer's dismissal from Crédit National that there would be a special inquiry into how Crédit Lyonnais had been managed under Mr. Haberer, but that the inquiry would not be in public. Crédit Lyonnais posted a loss of 6.9 billion French francs (\$1 billion) last year.

In an apparent reference to the MGM affair, Jean Peyrelevade, the new Crédit Lyonnais chairman, took pains Wednesday to thank Mr. Gille for not hesitating "to sacrifice his comfort and his personal interest to take charge of a whole series of extremely difficult matters, the origin of which was extraneous to us."

The bank said in a statement that Mr. Gille was "carrying out the intention he had already expressed on several occasions of devoting himself to new activities outside the group, once the work on financial restructuring allowed this."

Crédit Lyonnais also announced that Mr. Gille would continue to work for the bank over the next few months in order to provide a smooth transition. His responsibilities for general finance, capital markets, project financing, administration, and human resources will be given to two members of the bank's executive committee. These will be Pascal Lamy, the former cabinet chief of Jacques Delors, president of the European Commission, and Dominique Bazy, another Crédit Lyonnais executive.

"I wish to insist this is my decision, it is one I discussed with Jean Peyrelevade several months ago, and we felt it was good for me to remain a member of the team up to the end of the work on the plan for financial restructuring," Mr. Gille said in an interview. "I am now free to go. It was planned that today would be the D-Day."

Mr. Gille said the bank had asked him to continue to follow matters involving MGM, Mr. Parretti, and Sasea. Crédit Lyonnais now owns 100 percent of the troubled Hollywood studio, and is hoping to sell it in the next couple of years.

Mr. Gille said he would remain a board member at MGM, as well as at Credito Beramasso, a retail bank subsidiary in Northern Italy. The bank said he also would continue as chairman of the supervisory board of BIG Bank AG, the Frankfurt-based Crédit Lyonnais subsidiary.

Mr. Gille, a graduate of the National School of Administration, joined Crédit Lyonnais in 1975. His resignation comes nearly two months after the bank unveiled an ambitious 50 billion franc restructuring plan aimed at restoring it to health so it can be privatized within two years.

The restructuring calls for a transfer of 40 billion francs of dubious and nonperforming real estate loans to a company that will be managed by Crédit Lyonnais and guaranteed by the state.

## Reforms Sought By Shareholders Of African Bank

The Associated Press

NAIROBI — Shareholders of the African Development Bank insisted Wednesday that the bank undertake fundamental reforms before they inject more money.

"We want major commitments before we agree to an increase in the share capital," said Jeffrey Shafer, a U.S. Treasury official, at the bank's annual meeting.

Alvaro Teles of the private Portuguese Association for Development and Cooperation, a shareholder, said the bank needed "better governance."

The bank, which has headquarters in Abidjan, Ivory Coast, is seeking to raise its share capital of \$22.3 billion by \$2.5 billion.

The pressure for reforms has been fueled by a report saying the bank has become too bureaucratic, places too much emphasis on quantity of its loans instead of quality and lacks proper means of assessing the viability of projects it finances.

Babacar Ndiaye, the bank president, said that the report "calls for a fundamental restructuring of the bank, its policies, procedures and culture."

## Derivatives Undercut Air Products

Bloomberg Business Week

ALLEN TOWN, N.J. — Air Products & Chemicals Inc. said Wednesday it would take an after-tax charge of \$60 million against first quarter earnings because of derivatives contracts it entered into with Bankers Trust New York Corp.

The company, which makes and sells industrial gases, entered into five interest-rate swap contracts with Bankers Trust last year. The swaps were bets that U.S. and European interest rates would remain stable and were leveraged, meaning that profits or losses could quickly multiply.

The swaps were "unacceptable and inconsistent with our traditional conservative approach to managing our debt portfolio," said H.A. Wagner, the chairman of Air Products.

Air Products' loss is one of a series of setbacks companies have suffered in derivatives trades with Bankers Trust, Procter & Gamble Co. and Gibson Greetings Inc. also have said they lost money on similar transactions.

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## CURRENCY & INTEREST RATES

May 11

Cross Rates	May 11	May 10	% change
Australian dollar	1.0525	1.0525	0.00
British pound	1.6400	1.6400	0.00
Canadian dollar	0.7100	0.7100	0.00
French franc	6.5500	6.5500	0.00
German mark	1.3600	1.3600	0.00
Italian lira	2.0000	2.0000	0.00
Japanese yen	100.00	100.00	0.00
Swiss franc	1.4800	1.4800	0.00
U.S. dollar	1.0000	1.0000	0.00

May 11

Eurocurrency Deposits	May 11	May 10	% change
1 month	4.50%	4.50%	0.00
3 months	4.75%	4.75%	0.00
6 months	5.00%	5.00%	0.00
1 year	5.25%	5.25%	0.00

Other Dollar Values

Currency	Per \$	Per 100	Per 1000
Australian dollar	1.0525	105.25	1052.50
British pound	1.6400	164.00	1640.00
Canadian dollar	0.7100	71.00	710.00
French franc	6.5500	655.00	6550.00
German mark	1.3600	136.00	1360.00
Italian lira	2.0000	200.00	2000.00
Japanese yen	100.00	10000.00	100000.00
Swiss franc	1.4800	148.00	1480.00
U.S. dollar	1.0000	100.00	1000.00

Forward Rates

Currency	30-day	60-day	90-day
Australian dollar	1.0525	1.0525	1.0525
British pound	1.6400	1.6400	1.6400
Canadian dollar	0.7100	0.7100	0.7100
French franc	6.5500	6.5500	6.5500
German mark	1.3600	1.3600	1.3600
Italian lira	2.0000	2.0000	2.0000
Japanese yen	100.00	100.00	100.00
Swiss franc	1.4800	1.4800	1.4800
U.S. dollar	1.0000	1.0000	1.0000



## MARKET DIARY

## U.S. Bond Auction Mills Blue Chips

**NEW YORK** — Weak demand on Tuesday at an auction of 10-year Treasury notes sent U.S. credit ratings tumbling and put pressure on the dollar.

Inaugural benchmark U.S. Treasury auction bid 147.32, to 84.732, and demand fell short of 7.61 percent.

## U.S. Stocks

More than 49 percent of Tuesday's auction of 10-year Treasury notes encountered less than \$1 billion in bids, a record for the 10-year notes in 10-year notes.

Addressing a familiar pattern of volatility, the auction of 10-year Treasury notes was notably weak, with the 10-year Treasury note down 1.47 percent to 84.732.

The 10-year Treasury note was down 1.47 percent to 84.732, while the 30-year Treasury bond was down 1.47 percent to 117.00.

The 27-year Treasury note was down 1.47 percent to 117.00, while the 10-year Treasury note was down 1.47 percent to 84.732.

The 30-year Treasury bond was down 1.47 percent to 117.00, while the 10-year Treasury note was down 1.47 percent to 84.732.

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## The Dow

Daily closings of the Dow Jones industrial average

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## Dow Jones Averages

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## EUROPEAN FUTURES

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# NYSE

Wednesday's Closing  
Tables include the nationwide prices up to  
the closing on Wall Street and do not reflect  
trades elsewhere. Via The Associated Press

12 Month High Low Stock Div. Yld. PE Ratio High Low Last Chg.

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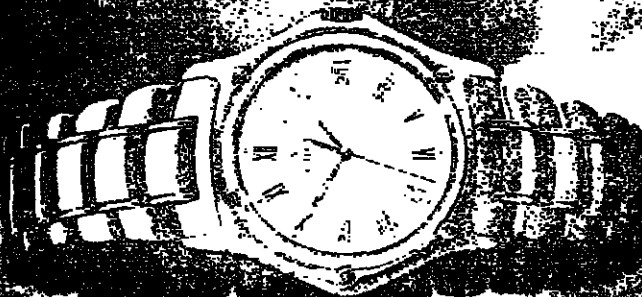
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**May 11, 1894**

TEMPLETON WORLD INVESTMENTS GROWTH PORTFOLIO					
of Class A-1	\$	12.86	of Emi Spain Ind. Plus A	Pto	11745.00
of Class A-2	\$	1479	of Emi Spain Ind. Plus B	Pto	12247.00
of Class A-3	\$		of Emi UK Index Plus A	Pto	129.13
of Class A-4	\$		of Emi UK Index Plus B	Pto	

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**Herald INTERNATIONAL Tribune.**  
PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST.

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ROME

NEW YORK PARIS RANGOON







## Korean Phone Venture Picks U.S. Partners

Compiled by Our Staff From Dispatches

SEOUL, South Korea — Pacific Telesis Group and three other U.S. companies won on Wednesday the foreign shareholding in South Korea's second mobile telephone system, Shinsegil Mobile Telecom Co. said.

Shinsegil, which recently was formed for the venture, said Pacific Telesis won a 10 percent stake in the consortium, followed by Southwestern Bell Corp. with 7 percent, GTE Corp. with 4 percent, and Qualcomm Inc. with 1.2 percent.

The combined foreign stake is slightly more than the 20.2 percent planned by the Federation of Korean Industries, a body charged with putting together business consortiums. It will enable a higher level of technical transfer from abroad, a federation spokesman said.

"We were able to increase the foreign element because several U.S. firms included in the original list of shareholders have pulled out of the consortium," he said.

Principal South Korean shareholders are Pohang Iron & Steel Co., with a 15 percent stake, and Kolon Industries Inc., with 14 percent. Around 240 local concerns will make up the remainder.

The spokesman added that Air-Touch Communications Inc., established by Pacific Telesis to take part in the consortium, had presented "the most favorable conditions" for technology transfer and cooperation. "We believe all four firms are satisfied with the decision and that we can maintain full cooperation and creative relations for the future with our foreign partners," he said.

The formation of the second mobile phone consortium ends a controversial chain of events that started last year, when Sunkyoung Industries Ltd., a textile manufacturer, was chosen to lead the venture.

Sunkyoung abandoned the deal after charges of nepotism. The son of Sunkyoung's chairman is married to the daughter of Roh Tae-woo, the former Korean president.

Following the Sunkyoung pullout, the national communications ministry gave the Federation a mandate to form a consortium through peaceful consultation.

Sunkyoung made a second bid, but later withdrew after winning a 23 percent controlling stake of the nation's existing mobile phone system, Korea Mobile Telecom Co., at an auction last January. POSCO and Kolon then emerged as winners.

Shinsegil was formally incorporated on May 2 with paid-in capital of 5.8 billion won (\$7.2 million). The company spokesman said Shinsegil's capital would grow to 100 billion won by early next month when remaining shareholders join.

The four U.S. companies will help South Korea build a digital phone network by 1996 to meet domestic demand that has been growing at a rate of 80 to 100 percent a year.

The consortium will compete with Korea Mobile Telecom for a market predicted to generate annual sales of \$2 billion by 2000.

There are now 500,000 cellular phones in use in South Korea. The industry expects expansion to 5 million subscribers by the end of the decade. (Reuters, AP)

## GM Heads Back to India 40 Years On, It Will Build Cars Again

Compiled by Our Staff From Dispatches

NEW YORK — General Motors Corp. said Wednesday that it would build cars in India again after 40 years, in a joint venture with Hindustan Motors.

GM said the new company, General Motors India Ltd., would be owned equally by the two companies, with GM having principal management responsibility.

The venture would have an annual production of about 30,000 Astras, the same model produced in Europe by the GM subsidiary Adam Opel AG.

Production is due to start in the third quarter of 1995 at an existing Hindustan Motors plant at Halol, near the city of Vadodra in the western coastal state of Gujarat. GM said total investment in the site was expected to be around \$100 million. The venture will create about 500 jobs.

Indian content of the car is targeted at 70 percent after three years.

Richard Nered, a vice president of General Motors, said the venture would give GM an "ongoing presence" in the expanding Indian car market and serve as a springboard for future business.

C.K. Birla, chairman of Hindustan Motors, said that GM's return to India after 40 years was a vote of confidence in India's economic reforms.

"I think that the automotive industry in India is now set to take a major leap forward, both in terms of technological upgrading and achievement of world class quality," Mr. Birla said.

GM began assembling vehicles in India in 1928, building Chevrolets in Bombay. It quit the country in 1954, seven years after India won independence from Britain, citing unfavorable economic conditions under protectionist government policies.

The company has had a licensing agreement with Hindustan Motors since with the 1950s to produce Bedford trucks, Vauxhall cars, Allison transmissions and off-highway equipment. (AFP, Reuters, AP)

### New Rules on Raising Money Abroad

The Indian government on Wednesday set rules and limits for companies tapping foreign capital markets following the failure of a billion-dollar Euro-issue by its overseas telephone monopoly, Agence France-Press reported from New Delhi.

The Finance Ministry said it had decided to follow a "restrictive policy" toward corporations wishing to raise money abroad by floating convertible bonds. Funds raised in this way would be treated as direct foreign investment and should not exceed 51 percent of the capital of a company, the ministry said.

The guidelines came after the fiasco suffered by the Vishesh Sanchar Nigam Ltd., whose \$1 billion Euro-issue was withdrawn after a lukewarm response. The debacle created uncertainty about dozens of other planned Euro-issues by companies hoping to raise a total of \$9 billion over the next year.

## Swire Buys Stake in Shanghai Real Estate

Compiled by Our Staff From Dispatches

HONG KONG — Swire Pacific Ltd. revealed Wednesday that it has bought a 10 percent stake in a retail and office complex in Shanghai, its first major investment in real estate in China.

The company said that one of its wholly owned subsidiaries, Swire Properties Ltd., had signed an agreement Tuesday with CITIC Hong Kong Ltd. for a role in the project. The unit is an arm of China International Trust & Investment Corp., the Chinese state-owned investment concern.

Neither company said how much money was transacted in the arrangement, but the cost of building the complex has been estimated at 1.5 billion Hong Kong dollars (\$194 million).

Swire had said earlier this month that it was in contact with CITIC about a role in the project.

Construction work will begin in early 1995 and the complex is expected to be completed in the second half of 1997, Swire said.

"Our 10 percent interest is a shareholding with which we are comfortable as this marks our first venture into the property market in China," said Mike Nor, a properties director and general manager of Swire.

Peter Stuch, chairman of Swire, said last week that the company was hoping to work with the CITIC group on more real estate projects in China. "I hope very much that we will be able to find other ventures there with CITIC that make sense to both of us," he said. (AFP, Bloomberg, Knight-Ridder)

### Hong Kong Shares Rally

The benchmark Hang Seng index of Hong Kong stocks rose 4.29 percent on Wednesday as investors sought out shares considered cheap relative to projected earnings. Bloomberg Business News reported from Hong Kong.

"We have continued to buy throughout this period, because we see value in the market," said Mark Mobius, president of Templeton Emerging Markets Fund.

The Hang Seng advanced 366.07 points, at 8,906.16, after rising as high as 8,943.50.

The real value is found in some of those property companies that have diversified into other areas, such as a company like Cheung Kong. These property companies still look very cheap," Mr. Mobius said. (Bloomberg, AFP, AP)

## Malaysia Lifts Currency Curb

Agence France-Press

KUALA LUMPUR, Malaysia — Bank Negara, Malaysia's central bank, said Wednesday it was lifting one of six measures introduced to curb the inflow of speculative foreign cash. The rulings will be effective next Monday.

The bank said it was lifting a February measure that imposed negative interest rates on *wakaf* accounts — Malaysian ringgit accounts held by foreigners in local banks — held by foreign banking institutions. Negative interest is money deducted from interest that has been earned.

The bank said that the measure had reduced the balances of *wakaf* accounts from a high of 8 billion ringgit (\$3 billion) to 2.6 billion.

## Manila Eases Banking Rules

Compiled by Our Staff From Dispatches

MANILA — An increased number of foreign banks will be permitted to set up full commercial operations in the Philippines under a bill passed by the two houses of Congress on Wednesday.

But the compromise reached by House and Senate leaders is far more restrictive than foreign bankers had sought.

The banking liberalization bill, which President Fidel V. Ramos has pledged to sign into law as early as next week, is the final obstacle to an accord between Manila and the International Monetary Fund on a three-year economic program that includes credits of \$650 million.

Hammered out after weeks of negotiations between congressional leaders, the bill would weaken the nearly half-century-old hold over the banking industry by a handful of family-owned institutions.

"It is evident that something is

wrong with the present economy in the Philippines and that there is no place for protectionist policies geared to protect only a small sector of society," said Senator Raul Roco, one of the authors of the bill.

Nonetheless, the bill contains more restrictions than foreign banks wanted. Under the legislation, a maximum of 10 new foreign banks would be admitted to the country over a five-year period, but each bank would be limited to six branches and would have to comply with a minimum capital requirement of 210 million pesos (\$8 million).

Eligibility would be limited to the top 150 foreign banks in the world or the top five of the country of origin. Philippines monetary authorities have been empowered to ensure that local banks remain dominant.

The bill also would allow foreign banks to own up to 60 percent of a

local institution, up from the 40 percent ownership they are now allowed.

Foreign bankers, who plan to issue a response Thursday, have warned that a restrictive bill would send the wrong signal to the international business community on the course of the Philippine economy.

But Mr. Roco said the legislation would offer a boost to the economy and would "allow the Philippines to join the global economy and give the country access to foreign funds, development and opportunities opened by present international market conditions."

Since 1948, only four foreign banks have been allowed to operate in the Philippines: Citicorp, Hongkong & Shanghai Banking Corp., Standard Chartered Bank and Bank of America. Those banks, which are restricted to three branches each, account for 8 percent of the total assets of the local banking system.

Critics say that has ensured huge profits for domestic banks, high interest rates for borrowers and poor service for customers. (Bloomberg, AFP, AP)

## PHONES: Tapping Into Russia

Continued from Page 11

programs remain clouded by their scale and cost.

Moreover, it is unclear that the Ministry of Communications can exert sufficient control over local and regional telephone authorities to pull off what some Russian telephone executives consider one last gigantic central planning project. They said the local phone companies were increasingly setting up their own expansion projects and responding more to local pressure for more lines and better service than to plans hatched far away in Moscow.

Then there is the continuing question of political stability. When Mr. Pavlenko of U.S. West assembled a group of institutional investors from the United States and Europe in Moscow last Oct. 25 to ask for \$40 million to help finance the American company's expansion here, he hardly needed to point out the risks. Clearly visible through the conference room window was the charred hulk of the White House, the parliamentary building where a political uprising had been violently quashed by President Boris N. Yeltsin a few weeks earlier.

Despite the risks, nearly every big American and European telecommunications-equipment supplier and telephone network operator has a presence here, including AT&T, Alcatel Alsthom of France and Siemens AG of Germany. Cable & Wireless PLC of Britain recently bought a stake in an international long-distance carrier in St. Petersburg.

U.S. West, France Telecom and Deutsche Bundespost Telekom have been named as the foreign partners in the domestic long-distance upgrading project. The foreign companies are seeking ways to minimize their risk without giving up the potential rewards, and none has done so in more innovative ways than U.S. West.

To raise more money without increasing its own financial exposure here, U.S. West eventually persuaded its group of institutional investors, including units of Morgan Stanley & Co. and Baring Securities Ltd., to put up \$40 million.

In addition, the Overseas Private Investment Corp., a U.S. government agency that helps finance private deals in emerging markets, agreed to provide \$125 million in loan guarantees.

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Shareholders are hereby convened to the

### ANNUAL GENERAL MEETING

of shareholders of our company, which will take place at the offices of Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg, on May 19, 1994 at 3:00 p.m. for the purpose of considering and voting upon the following agenda:

1. Submission of the report of the board of directors and the auditor;
2. Approval of the statement of net assets at December 31, 1993 and the statement of operations for the year ended December 31, 1993;
3. Allocation of the net results;
4. Discharge to the Directors and the auditor;
5. Receipt of and action on nomination of the directors and the auditor;
6. Miscellaneous.

Shareholders are advised that no quorum is required for the items of the agenda of the Annual General Meeting and that decisions will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

In order to attend the meeting of May 19, 1994 the owners of bearer shares have to deposit their shares five clear days before the meeting at the offices of Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg.

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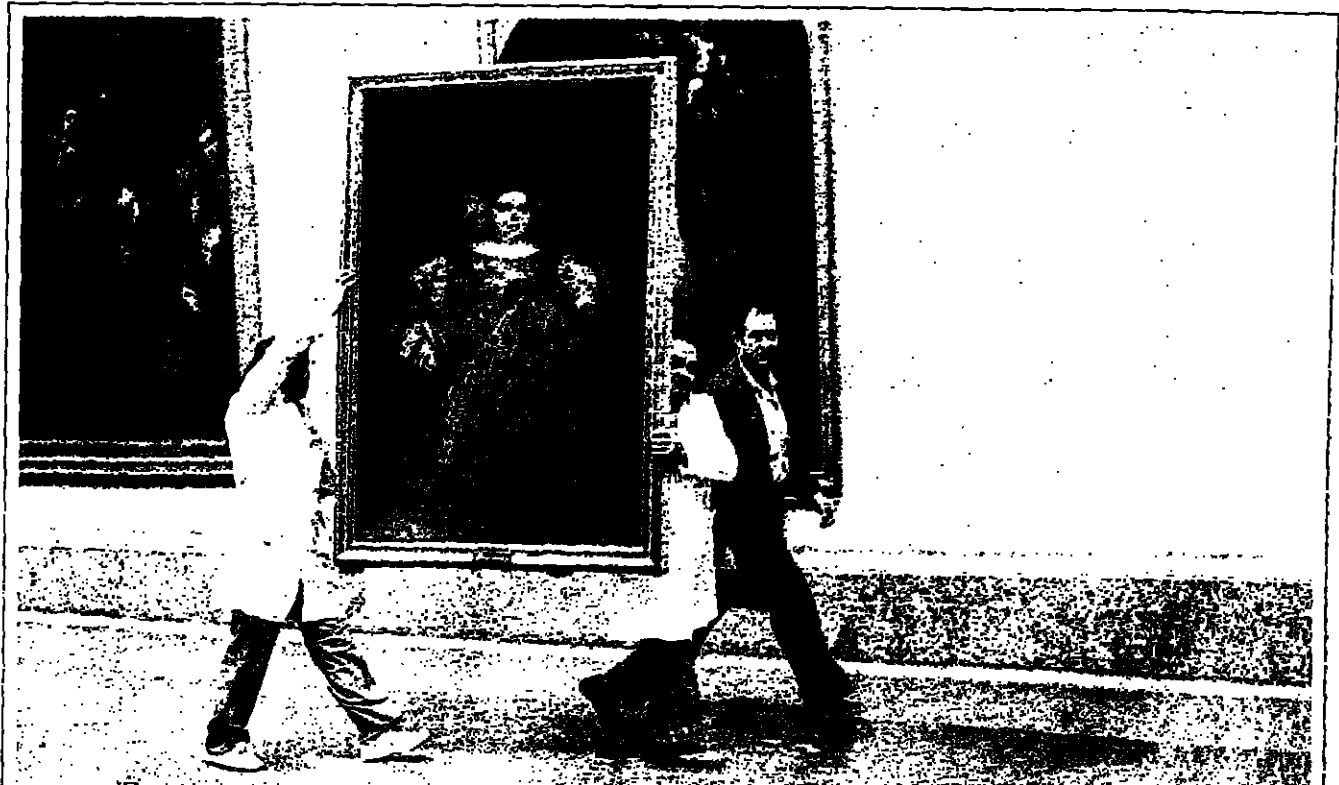
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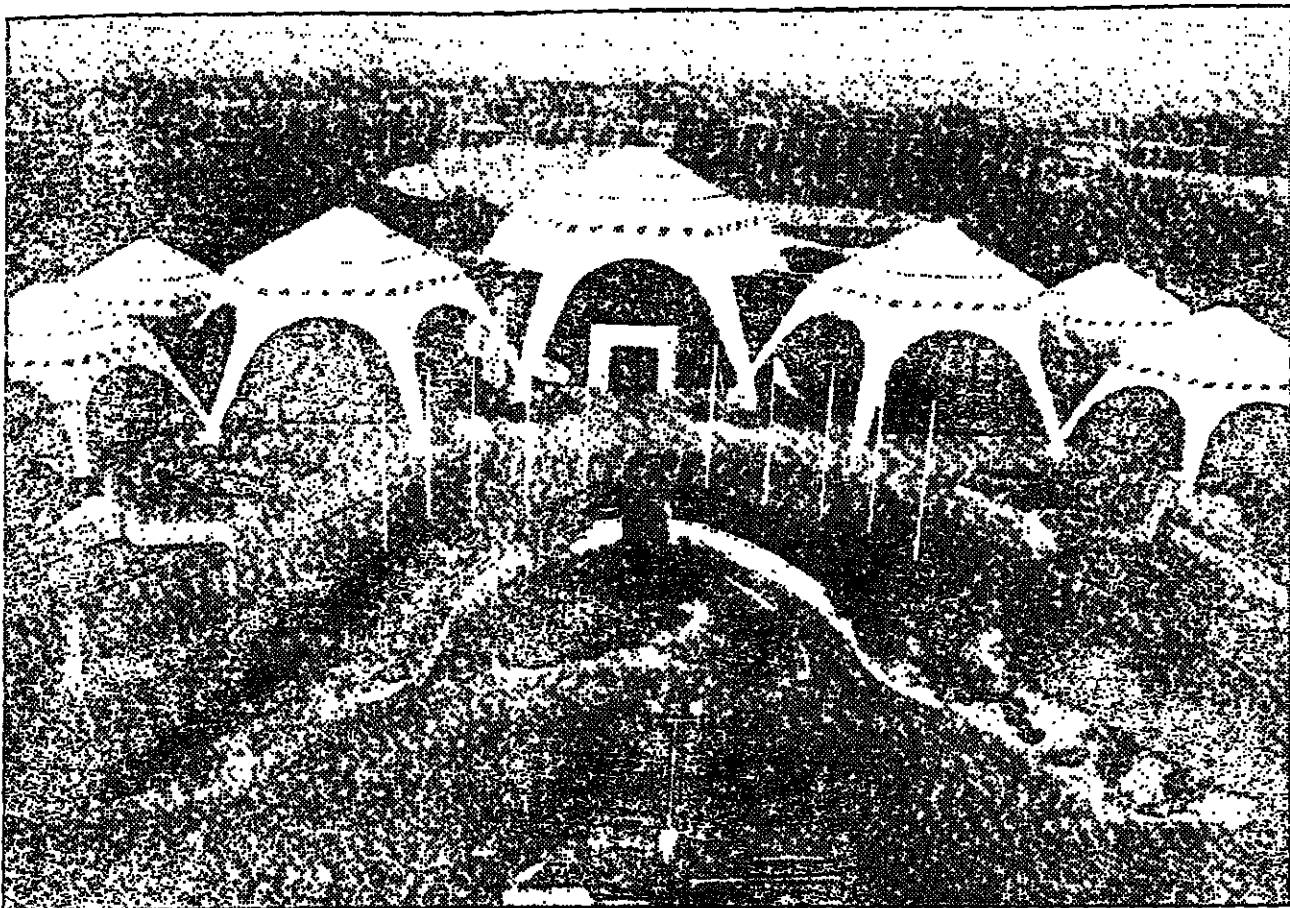
## In Spain art is always on the move.

The cultural life of the nation has gone into overdrive • Visitors from all over the world flock to Spain's treasure house of exhibitions. Art fairs and museums have been augmented by classical, pop, jazz and rock musicians and visits from world renowned theatre and ballet troupes • And like everything else in Spain, the nation's art constantly overflows into the parks and terraces • Book your seats now. The performance is about to begin.

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# Dubai and Jebel Ali



The 1990s have witnessed phenomenal growth in the leisure and sports sectors. Above: the Emirates Golf Club.

## DUTY-FREE RINGS UP RECORD SALES

Since it began just 10 years ago, the Dubai Duty Free shopping complex at the emirate's international airport has revolutionized tax-free sales in the Middle East.

It has also set new standards of presentation and service for the industry on a global basis.

Since it began in 1984, the complex's sales have risen by 435 percent. Last year, record sales of \$132 million were made, equivalent to 6

percent of the world's total tax-free sales per year. More than 5.6 million passengers used the airport in 1993, and per capita spending at the complex is among the world's highest.

The Swedish-based publication World of Travel Shopping 1994 has identified the UAE as the world's top travel-shopping center, with expenditure per traveler in 1992 averaging \$848, compared with \$553 per traveler in Singapore, \$462 in Taiwan and \$448 in Hong

Kong. Part of the secret of Dubai's success is the environment that has been created in the duty-free shopping complex.

It is tastefully lit, spacious and well laid-out, with plenty of room for passengers, particularly late-night transit visitors, to browse among the 60,000 or more items on display.

"We want to make it a pleasant experience to shop here," says Colin McLoughlin, general manager. Mr. McLoughlin has been run-

ning the complex since it opened.

Dubai's duty-free operation has achieved worldwide acclaim and won many awards from the duty-free shopping industry, as well as from many travel and leisure magazines.

The duty-free complex has also launched a number of innovative promotional campaigns, one of which is the long-running "Dubai's Finest Surprise," a regular raffle for luxury cars, now in its third year.

## TRADE AND TOURISM FUEL GROWTH

Two world events — Kuwait's recovery after the Gulf War and the breakup of the former Soviet Union — have had a major effect on trade, business and the development of Dubai, one of the seven sheikhdoms that make up the United Arab Emirates.

During the past three years, efforts to diversify Dubai's economy have intensified and are now beginning to pay off as the overall terms of trade increase. Industrial and commercial investments have been pouring into the Jebel Ali Free Zone (they have increased by 150 percent over the past three years), and leisure and recreational facilities have been expanded, making Dubai one of the premier sports and tourist centers of Arabia. Facilities for championship golf and powerboat racing are just two of many sports attractions that have helped to make Dubai a global destination.

While most of Europe, North America and Japan have been in recession, the pace of business and trade in Dubai has accelerated rapidly — in spite of the fall in oil prices. This is because Dubai has never really been an oil-rich state, and for a century or more its economy has been based on trade and re-exports.

Total trade rose in 1993 by 7.5 percent, to \$17.53 billion; 1992's total was a staggering 23.6 percent more than the \$13 billion recorded in 1991. In 1993, imports amounted to \$13.7 billion, compared with \$12.9 billion in 1992. Machinery, electrical goods and textiles were the top import items, followed by vehicles, aircraft and other transport equipment. Nonoil exports were up 7 percent, to just under \$1 billion. Sales of base metals (mainly gold) were worth \$381 million. They were the highest single commodity on the export list and accounted for 39 percent of all nonoil exports. Other principal export items were textiles (\$236 million) and vehicle, aircraft and transport equipment (\$80 million). Total re-exports during the year were \$2.8 billion, slightly higher than the 1992 figure of \$2.4 billion.

Dubai's two main trading partners in 1993 were Japan, which sold \$1.9 bil-

lion worth of goods, and China, with \$1.1 billion. They were followed by the United States (\$1 billion), Britain (\$981 million) and India (\$958 million). Re-exports confirm Dubai's position as the main distribution hub for the Middle East, the Asian subcontinent, parts of Africa and the Mediterranean countries.

This role has been greatly enhanced by the expansion of activity in the Jebel Ali Free Zone and by the air-sea cargo facilities developed by the unified Dubai Ports Authority and the Cargo Village at the international airport. Commenting on the trading position, Khalid A. bin Sulayem, the new chief executive of the Dubai Commerce and Tourism Promotion Board, says that one of the most significant recent trends has been the diversification of the economy. "The nonoil sector now accounts for more than 60 percent of the United Arab Emirates's gross domestic product. And the diversification process is even more pronounced in Dubai, with a ratio of oil to other sectors of about 25:75. Trade is the driving force."

Saeed Juma Al Naboodah, president of the Dubai Chamber of Commerce and Industry, which will soon move to new headquarters, says that "the positive economic trends made by Dubai were an extension of the healthy economic development of recent years. The national manufacturing industries made a substantial increase in the value of their exports during 1993, which indicated positive trends in local manufacturing industries. The increasing number of foreign investors in manufacturing also reflects the success of the industrial operations. It also confirms the support we are giving to economic diversification policy." He believes that Dubai's integrated infrastructure has been a significant factor in making Dubai the leading international re-export center of the region.

Efforts by the local business community have also helped to create new and wider markets for Dubai's exports to Asia, Central Europe, and East and Central Africa. While Dubai's present and past fortunes have been founded on

trade, the 1990s have witnessed phenomenal growth in the leisure and sports sectors. The drive for tourism, an additional source of revenue, was interrupted by the Iraqi invasion of Kuwait, but now it is moving ahead with some dramatic results.

Much support for Dubai's tourism sector has been in the form of sponsorship by Emirates, the national airline, and by the Jebel Ali Free Zone, which is home to powerboat racing, professional golf and tennis.



Investments in the Jebel Ali Free Zone have increased by 150 percent over the past three years.

cently, tennis tournaments, soccer and chess are a few of the events which have begun to attract worldwide attention. Last January and February, a galaxy of golf and tennis stars gathered for two world-class events, the Desert Classic golf tournament, sponsored by the European Professional Golf Association tour, and the Dubai Open, with prize money totaling \$1 million.

The South African player who took the golf title, and the tennis champion who won the tennis title, Magnus Gustafsson, who took the tennis prize of \$144,000. Such success has confirmed Dubai's status as a premier sports capital of the Middle East, in addition to its more traditional role as the entrepot trade center of the region. The sporting factor adds a new dimension to the term "economic diversification."

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## EMIRATE: NEW HUB REACHES OUT TO WORLD



Khalid bin Sulayem,  
CEO, Dubai Commerce  
and Tourism  
Promotion Board,  
says the board  
will focus  
on new markets.

**D**ubai has a new image maker: Khalid bin Sulayem, who was appointed chief executive of the Dubai Commerce and Tourism Promotion Board last autumn.

Mr. Sulayem joined the board at its inception in 1989 and has been a director with special responsibility for the board's promotion division, which looks after international fairs, inward and outward trade missions, seminars and conferences, sponsorship and other promotional activities.

In discussing the emirate's progress, Mr. Sulayem says, "Dubai has been enjoying a period of strong economic growth over the past three years. All major economic indicators - including trade, new business formations, construction and other key sectors - have been highly positive. In particular, there has been a major flow of international investment. Prospects for expansion and growth look excellent. Dubai is developing rapidly from being just a regional

center to becoming a truly international hub. Our economic hinterland is being extended from the Gulf to take in a wider ring of countries."

He adds: "For example, the end of the Cold War has dramatically raised Dubai's economic contacts with the former Soviet Union. Visitors from the CIS are estimated to have spent more

*Economic contacts  
with the CIS  
increasing  
dramatically*

than \$1 billion on buying electronics and other goods in the UAE last year. Similarly, South Africa, isolated from the Middle East for more than 30 years, has made Dubai the focal point for the development of its business within the region. Dubai will also benefit from the internationalization of India and Pakistan through

increased trade and investment. Rapid economic progress in the subcontinent is creating a growing middle class with the time and the money to travel to Dubai for business, shopping and pleasure."

"In tourism," Mr. Sulayem continues, "the board has been instrumental in seeing a dramatic increase in the number of international tour operators promoting the Dubai package. This is not just in established markets like Germany, where we now have 48 tour operators, but also in new markets such as the United States, where we have recently secured 12 tour operators."

Looking ahead, Mr. Sulayem says: "In terms of future plans and priorities, the board will continue to focus its promotional efforts on the major markets of Europe, North America, the Far East and the Gulf. However, we are actively extending our activities elsewhere, including potential new markets such as the CIS, South Africa, Australia and the Indian subcontinent."

## JEBEL ALI FREE ZONE ATTRACTING TOP COMPANIES

**O**ne of the real success stories of 1993 has been the flood of new companies that have either registered or moved into the Jebel Ali Free Zone (JAFZ).

Some 140 new companies have been listed, bringing the present total to more than 600. It makes JAFZ the fastest-growing free zone in the Middle East. Established eight years ago, it now has total investments estimated at more than \$1 billion.

The growth of Jebel Ali is a direct reflection of Dubai's policy to encourage greater economic diversification by providing the basic infrastructure for manufacturing and distribution of goods from the emirate.

According to Sultan bin Sulayem, chairman of the Jebel Ali Free Zone Authority (JAFZA), more than 30,000 people are employed in the zone. Local goods and services purchased by companies in the zone amounted to at least 1.5 billion UAE dirhams (\$416.6 million).

In addition to established investors such as Unilever, Philips and Acer, recent arrivals to the zone include Honda, AST, Seiko, Sharp and Fuji Film.

According to a late 1993 study, manufacturing (187 companies) now accounts for 61 percent of private capital investment. At the time of the study, there were 156 companies in warehousing and distribution, 160 in trade and 100 in service industries.

Companies have been attracted to the zone for a number of reasons. These include the strategic commercial location of Jebel Ali in the Gulf and a wide-ranging package of incentives offered by JAFZA, such as economic utility services, tax-free holidays, 100 percent foreign ownership, no visa restrictions and a minimum of red tape.

A geographical breakdown of companies by country of origin shows that the largest number (222) come from the Middle East, followed by the second-largest group (144) from the Asian subcontinent and Sri Lanka. There were 140 companies from 24 coun-

tries in Europe, 17 from Japan, 12 from Hong Kong, 29 from the United States and six from Canada.

"There is more and more export and re-export business in Jebel Ali because it makes economic sense to base operations where costs are low," says Mr. Sulayem, who is also chairman of the Dubai Ports Authority (DPA), which is responsible for managing the emirate's two shipping terminals at Jebel Ali and Port Rashid.

Business has also been booming for the DPA, which is now among the world's top 15 ports in terms of cargo handled. Last year, there was a 12 percent throughput in cargo. Total tonnage amounted to 24 million tons, compared with 21 million in 1992.

A total of 9,694 ships (a 10 percent increase over 1992) called at the ports. This included 3,171 container vessels, 17 percent more than in 1992. The number of standard containers handled was 1.68 million, compared with 1.48 million in 1992.

The biggest increases in total tonnage handled by DPA were in frozen food (up 44 percent), bulk cargo (up 39 percent) and bagged cargo (up 22 percent).

Most major international shipping lines now call at Dubai. "There is no international destination that cannot be covered by DPA. From Dubai we send cargo to anywhere in the world," declares Mr. Sulayem, who expects to see a significant growth in shipping activity over the next five years.

More than 100 shipping lines serve Dubai. "It makes Dubai one of the greatest transshipment centers in the world," says Mr. Sulayem, who has been looking at potential new customers such as South Africa.

In order to keep abreast of growing demand, the DPA has had to expand its services in both ports. It recently bought four new gantry cranes for unloading containers and has "gone live" with a new state-of-the-art computerized container information system.

## CARGO FACILITY SETTING RECORDS

**A**nother growth record has been set by the Dubai Cargo Village (DCV) at Dubai International Airport, which has become an integral part of Dubai's freight-handling services. It was built in 1991 at a cost of \$75 million and last year handled a record 217,668 tons of air freight - 17 percent more than in 1992.

Several individual records were also broken, including the greatest amount of cargo handled in a single day - 917 tons. The terminal, which covers 300,000 square meters (3.2 million square feet), may have to be

expanded to cope with the anticipated increase in traffic.

Planned new facilities include a second building to house freight-forwarding agents and another dedicated to courier companies. Sultan bin Nasser Al Mansoury, director of the DCV, cites several reasons for the successful growth of the Cargo Village.

These include fast operations, quality, reliability and cooperation between customs, Dubai Ports Authority and the DCV itself.

"We have managed to reduce the red tape to almost zero," says Mr. Al Mansoury.

## SHIPPING COMPANY UPGRADES FLEET

The new generation of container ships is being built at a rapid pace, and the shipping companies are upgrading their fleets. The Arab Shipping Company (ASC) has recently ordered a new 10,000-ton container ship from the Hyundai Heavy Industries (HHI) of South Korea. The ship, named 'Arabia', is the first of a new class of container ships built for the ASC. It will be delivered to the company in late 1994. The ship is expected to be the largest container ship in the company's fleet. The ASC is a major shipping company in the Middle East, with a fleet of over 100 ships. The company is based in Dubai, UAE. The new ship will be used to transport goods between the Middle East and other parts of the world. The ship is expected to be a success for the company and for the region.

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • It was written by Michael Frenchman, a writer based in Britain.

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## Politics and Power

Vice President Al Gore invited her to sing for his favorite charity. She has been asked to sing for a charity affair Henry Mancini is hosting in his home. Her performance in the Rose Tattoo, a small club in L.A., was reviewed: "Every note of every phrase was filled with affectionate magic." Johnny Mandel and Dave Grusin have asked her to send them demos.

**Less than two months** after wedding to Jeremy Thomas, actress Drew Barrymore, 36, files for divorce... date actor Patrick Swayze, 31, who is still quits with her actor husband years. **Emilia** February 27

The timer they are is Timothy Leary, the 1960s, was arrested (smoke-free) Asian, Tim for smoking a cigarette. He said he could have gone but wanted to draw the people being "damned politically correct."

**INTERNATIONAL  
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It was obvious that the magazine was not going to remake its special edition despite the blatant error. I thought about suing and letting a jury decide who had the best biceps in the world — Kennedy or me. Instead, I pretended that my omission from the list was no big deal.

I don't wish to give the impression that I am bitter about this. Sports Illustrated is talking to me about my appearing on the cover of their "Best Suntan" issue. I will appear solo with oil all over my body. It will make John Kennedy sorry that he didn't wait for a

## CROSSWORD

Puzzle by A. J. Sanders

[illegible]